

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE  
STATE OF CALIFORNIA



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COMMISSIONER CLIFF RECHTSCHAFFEN and  
ASSISTANT CHIEF ADMINISTRATIVE LAW JUDGE MICHELLE  
COOKE, presiding

	)	EVIDENTIARY
	)	HEARING
	)	
Order Instituting Investigation on	)	
the Commission's Own Motion to	)	
Consider the Ratemaking and Other	)	
Implications of a Proposed Plan for	)	
Resolution of Voluntary Case filed	)	
by Pacific Gas and Electric Company,	)	
pursuant to Chapter 11 of the	)	Investigation
Bankruptcy Code, in the United	)	19-09-016
States Bankruptcy Court, Northern	)	
District of California, San	)	
Francisco Division, In re Pacific	)	
Gas and Electric Corporation and	)	
Pacific Gas and Electric Company,	)	
Case No.19-30088.	)	

REPORTERS' TRANSCRIPT  
San Francisco, California  
February 28, 2020  
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Volume - 4

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SAN FRANCISCO, CALIFORNIA

FEBRUARY 28, 2020 - 8:35 AM

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ADMINISTRATIVE LAW JUDGE COOKE: Let's  
be on the record.

JASON WELLS,  
resumed the stand and testified further as  
follows:

ALJ COOKE: This is the time and place  
for further evidentiary hearing in  
Investigation 19-09-016. I am Assistant  
Chief Administrative Law Judge Michelle  
Cooke. I will be covering today's hearing  
for Administrative Law Judge Peter Allen, who  
is the assigned administrative law judge.

When we left off yesterday we had  
just sworn in Mr. Wells, and Mr. Weissmann  
has some clarifications to add to the items  
that he is sponsoring today.

Mr. Weissmann.

MR. WEISSMANN: Thank you, your Honor.

DIRECT EXAMINATION RESUMED

BY MR. WEISSMANN:

Q Good morning, Mr. Wells. Are you  
sponsoring what has been marked for  
identification as PG&E-2, which contains  
exhibits to your testimony?

A I am.

1           Q    Are you also sponsoring what has  
2   been marked for identification as PG&E-3  
3   containing additional exhibits to your  
4   testimony?

5           A    I am.

6           Q    Are you also examining within what  
7   has been marked for identification as PG&E-4,  
8   Exhibits 2.7, 2.8 and 2.9?

9           A    Yes, I am.

10          MR. WEISSMANN:  Thank you.  The witness  
11   is available for cross-examination.

12          ALJ COOKE:  Thank you.

13                Before we turn to cross-examination,  
14   I'm going to identify a few exhibits that may  
15   be coming up today.  At this time I will mark  
16   for identification as Exhibit Abrams-X-9, a  
17   cross-examination exhibit titled Better Way  
18   Out of PG&E bankruptcy.

19                   (Exhibit No. ABRAMS-X-09 was marked  
20                   for identification.)

21          ALJ COOKE:  At this time I will mark  
22   for identification as Exhibit TURN-X-5 a TURN  
23   Cross-Examination Exhibit, PG&E Response to  
24   TURN DR-5, Question 5.

25                   (Exhibit No. TURN-X-05 was marked  
26                   for identification.)

27          ALJ COOKE:  At this time I will mark  
28   for identification as Exhibit TURN-X-6 TURN

1 Cross-Examination Exhibit, which is excerpts  
2 from an EPUC data response and PG&E responses  
3 to TURN DR Set 7.

4 (Exhibit No. TURN-X-06 was marked  
5 for identification.)

6 ALJ COOKE: At this time I will mark  
7 for identification as Cal Advocates-X-1  
8 PG&E's Public Responses to the Public  
9 Advocates Office's Data Request No. 001  
10 through No. 006, dated February 2020.

11 (Exhibit No. CAL ADVOCATES-X-01 was  
12 marked for identification.)

13 ALJ COOKE: At this time I will mark  
14 for identification as Cal Advocates-X-2,  
15 Excerpts from PG&E 2019 Form 10-K. The cover  
16 page is dated February 20th, 2020.

17 (Exhibit No. CAL ADVOCATES-X-02 was  
18 marked for identification.)

19 ALJ COOKE: At this time we will turn  
20 to cross-examination by MCE, Ms. Kelly.

21 MS. KELLY: Thank you, your Honor.

22 CROSS-EXAMINATION

23 BY MS. KELLY:

24 Q Thank you, Mr. Wells.

25 A Good morning.

26 Q So in your testimony you state that  
27 PG&E will pursue a securitization, a  
28 ratepayer securitization that is rate neutral

1 on average for the wildfire -- for the  
2 \$7 billion in wildfire claim costs; is that  
3 correct?

4 A That is correct.

5 Q You propose to basically securitize  
6 ratepayer revenues under that transaction; is  
7 that correct?

8 A That is correct.

9 Q Great.

10 Now, if you could please turn to  
11 Exhibit MCE-X-1 page 54. Let me know when  
12 you are there.

13 A Okay.

14 Q So for the benefit of the folks in  
15 the room here, this is the motion of the  
16 debtors regarding customer programs and  
17 public purpose programs dated March 12th,  
18 2019.

19 You are familiar with this  
20 document?

21 A Yes, I am.

22 Q Thank you.

23 So starting on page 54 PG&E  
24 describes funds received by PG&E that flow to  
25 what is being broadly called "customer  
26 programs;" is that correct?

27 A That is correct, yeah.

28 Q And I will quickly list those, you

1 can correct me if I'm wrong. Those customer  
2 programs are: deposit and reimbursement  
3 programs, public purpose programs,  
4 environmental cleanup programs, third-party  
5 programs, GHG credit programs, and customer  
6 support programs; correct?

7 A That is correct.

8 Q And community choice aggregator, or  
9 CCA funds, are part of what is called  
10 third-party programs; correct?

11 A If I can take just a minute.

12 ALJ COOKE: Let's be off the record.

13 (Off the record.)

14 ALJ COOKE: Back on the record.

15 THE WITNESS: I would not characterize  
16 the community choice aggregation as  
17 customer-related programs, no.

18 BY MS. KELLY:

19 Q Please turn to page -- please turn  
20 to page 69 of that same document, which  
21 defines third-party programs.

22 A I see the reference. You are  
23 right.

24 Q So third-party programs includes  
25 CCA funds?

26 A That is correct.

27 Q Okay. So speaking about customer  
28 programs broadly, the list of six items that

1 we went through just now, does PG&E propose  
2 to pledge or incumber or securitize any of  
3 the funds associated with these customer  
4 programs?

5 A No. We would not anticipate  
6 securitizing or recovering these revenues  
7 associated with these programs.

8 Q Is that shown in your testimony  
9 anywhere?

10 A No. The testimony that I sponsored  
11 does not address the specifics of the  
12 securitization transaction that we intend to  
13 file in a separate application. So no, it is  
14 not addressed specifically.

15 Q Thank you.

16 So turning to Exhibit PG&E-12 Slide  
17 29.

18 A Yes, I am there.

19 Q So this comes from PG&E's business  
20 outlook February 2020. And so in this  
21 chart -- what does this chart show?

22 A This chart is highlighting the rate  
23 base growth that the company has forecasted  
24 under its five-year financial projections.

25 Q So this is for the forecast? You  
26 are saying that it would be a year-over-year  
27 increase of 8 percent or is that 8 percent  
28 over the entire period?

1           A    It is a compounded annual growth  
2    rate.  So year, annually, on average rate  
3    base will go 8 percent.

4           Q    So subject to check, you expect  
5    your rate base to grow during the period of  
6    2019 to 2024 by 47 percent?

7           A    Subject to check, but it sounds  
8    directionally accurate.

9           Q    So we were just talking about  
10   customer programs.  Are -- what is defined as  
11   customer program funds included in this rate  
12   base figure?

13          A    This rate base figure doesn't take  
14   into consideration customer-related programs.  
15   Rate base is essentially -- I characterize it  
16   as a cumulative investment in our gas and  
17   electric systems.  So it is actual cost to  
18   deliver electricity and gas to customers less  
19   the depreciation in taxes.

20          ALJ COOKE:  May I interrupt for just a  
21   moment?  Ms. Kelly, can you direct me to  
22   where it is that you are -- what document you  
23   are looking at again?

24          MS. KELLY:  Yes.  I am happy to do  
25   that, your Honor.  This is PG&E Hearing Room  
26   Exhibit 12, Slide 29.

27          ALJ COOKE:  Thank you.

28   BY MS. KELLY:

1           Q    Now, turn back to your testimony,  
2   let's go to page 2-1.

3           ALJ COOKE:   This is in PG&E-1?

4   BY MS. KELLY:

5           Q    Yes, I'm sorry.   Exhibit PG&E-1  
6   page 2-1.

7           A    Okay.   I'm there.

8           Q    Okay.   So if you could please read  
9   the last bullet in your list on that page.

10          A    "Position the utility and PG&E  
11   Corporation will be financially healthy upon  
12   emergence.   That one?

13          Q    Yeah.   So you are saying that a  
14   plan of reorganization will position the  
15   utility and PG&E Corporation to be  
16   financially healthy upon emergence.

17                Okay.   So what is an average  
18   secured debt credit rating of an  
19   investor-owned utility in the United States?

20          A    I don't have the figures in front  
21   of me, but I would anticipate the high  
22   investment grade ratings BBB+, A-, using S&P.

23          Q    Using S&P.   You were saying the  
24   BBB+ or A-?

25          A    Subject to verification.   But  
26   generally speaking, yes.

27          Q    Yeah.   Thank you.

28                And what would be an average

1 unsecured debt rating of an investor-owned  
2 utility in the United States?

3 A I'm sorry. Can you repeat the  
4 question?

5 Q Yes. What would be an average  
6 unsecured debt rating of an investor-owned  
7 utility in the United States?

8 A I think most are trading probably  
9 around BBB+ or better.

10 Q Okay. So that would be a  
11 reasonable investor-owned utility credit  
12 grade rating?

13 A I object to the term "reasonable."  
14 But I would say that, yes,  
15 generally speaking that is where utility  
16 investment grade ratings are currently set.

17 Q Okay. Great.

18 And then, so you had said it  
19 positions the utility to be financially  
20 healthy. Can you clarify that? Are you  
21 saying that immediately after emergence from  
22 Chapter 11 the utility and PG&E Corporation  
23 will be financially healthy?

24 A I believe that is the case, yes.

25 Q So earlier this week Mr. Plaster  
26 testified that the secured credit rating of  
27 the utility would be about BBB or BBB-. Is  
28 that indicative of a financially healthy

1 company?

2 MR. WEISSMANN: I'm sorry. Can you  
3 repeat the question, please?

4 MS. KELLY: Yes.

5 Q Earlier this week Mr. Plaster  
6 testified that the secured credit rating of  
7 the utilities would be about BBB or BBB-. Is  
8 that indicative of a financially healthy  
9 company?

10 MR. WEISSMANN: Objection. Misstates  
11 Mr. Plaster's testimony.

12 MS. KELLY: Would you like to correct  
13 what Mr. Plaster stated?

14 MR. WEISSMANN: Yes. He was talking  
15 about unsecured.

16 MS. KELLY: Mr. Plaster testified to  
17 both secured and unsecured?

18 MR. WEISSMANN: He did. He said  
19 secured would be investment grade.

20 MS. KELLY: Yes; correct. The secured  
21 credit rating of the utility would be about  
22 BBB or BBB-, which is an investment grade  
23 rating.

24 MR. WEISSMANN: That is incorrect. But  
25 why don't we let the witness answer.

26 ALJ COOKE: Let's let the witness  
27 answer. And people can review the transcript  
28 to determine what Mr. Plaster said earlier.

1 THE WITNESS: Yes. I do think it is  
2 reflective of a financially healthy utility.  
3 I think what is important to unpack here that  
4 ratings are driven by two things. They are  
5 driven by quantitative --

6 MS. KELLY: Objection, your Honor. May  
7 we please get to the line of questioning?  
8 Unfortunately, I only have 30 minutes.

9 ALJ COOKE: Let's answer the question  
10 that the attorney asked. And if your  
11 attorney would like to have clarification on  
12 redirect, that is okay.

13 THE WITNESS: Yes, your Honor.

14 MS. KELLY: Thank you very much.

15 ALJ COOKE: Let's approach it that way  
16 as much as possible today for everybody.

17 MS. KELLY: Thank you.

18 Q Mr. Plaster testified, getting back  
19 to this, that the secured credit rating would  
20 be BBB or BBB-. Is that -- are those  
21 investment grade ratings?

22 A Yes, they are.

23 Q And are the secured credit ratings  
24 of BBB or BBB- indicative of a financially  
25 healthy investor-owned utility?

26 A Yes, they are.

27 Q Yesterday Mr. Plaster testified  
28 that the unsecured credit rating of the

1 utility would be non-investment grade; is  
2 that correct?

3 A That is likely, yes.

4 Q Having an unsecured credit rating,  
5 is that indicative of a financially healthy  
6 company?

7 A Quantitatively, we have targeted  
8 financial metrics that are consistent with  
9 the financially healthy utility. That rating  
10 that you are referring to is more of a  
11 reflection of the qualitative business risk  
12 assessment of the California environment.

13 Q So let's just use an abstract  
14 utility with an unsecured credit rating of,  
15 say, BB, which I believe was one of the  
16 potential unsecured debt ratings of the  
17 company. So that is considered  
18 non-investment grade speculative; correct?

19 A That is correct.

20 Q So would a utility with a BB  
21 unsecured credit rating, would you consider  
22 that to be a financially healthy company?

23 A I could, depending on the financial  
24 metrics.

25 Q Okay. And credit metrics are not  
26 the same as a credit rating; correct?

27 A That is correct.

28 Q When would PG&E expect to have an

1 investment grade credit rating for unsecured  
2 debt?

3 A It is hard to speculate exactly  
4 when the credit rating agencies would raise  
5 the company's rating, because the driver of  
6 the rating that you are referring to is more  
7 of an assessment of the business risk  
8 environment here in California, as opposed to  
9 the financial plan that we put forward.

10 Q And in your best professional  
11 judgment, based on your knowledge as the CFO  
12 of a publicly traded company, and just  
13 knowing the market, what do you think in your  
14 professional judgment would be the timing for  
15 PG&E to have an investment grade credit  
16 rating for unsecured debt?

17 A I'm trying to be responsive. I  
18 believe we put forward a plan that, based on  
19 the credit --

20 MS. KELLY: Yes. Objection, your  
21 Honor. Nonresponsive.

22 ALJ COOKE: I'm going to allow him to  
23 answer.

24 THE WITNESS: We put forward a plan  
25 that I believe meets the definition of  
26 investment grade from a financial profile.  
27 Another party's assessment of the California  
28 business environment is difficult for me to

1 speculate as to when they will have  
2 confidence to upgrade the overall rating to  
3 investment grade.

4 BY MS. KELLY:

5 Q When would PG&E seek to receive an  
6 investment grade -- seek to receive an  
7 investment grade credit rating for unsecured  
8 debt?

9 A As quickly as possible.

10 Q But as testified yesterday,  
11 currently, my apologies, the other day, Mr.  
12 Plaster said that at this point those would  
13 be non-investment grade; correct?

14 A That is correct.

15 Q Thank you.

16 So next I want to turn to just some  
17 questions about what PG&E is saying in its  
18 testimony and what it is asking for. So MCE  
19 had requested that the sources and uses of  
20 PG&E be broken out by -- into the utility's  
21 sources and uses and the corporation's  
22 sources and uses; is that correct?

23 A I think that is correct. Yes.

24 Q Did you provide that?

25 A I'm not aware of us providing that  
26 yet.

27 Q Subject to check, would you say  
28 that in your data request response you stated

1       that that was, quote, "highly confidential"?

2             A     Subject to check, yes.

3             Q     And in the bankruptcy context are  
4       the finances of the utilities and the  
5       corporation highly confidential?

6             A     As a publicly traded company, much  
7       of the details of financial rejections are  
8       highly confidential.

9             Q     In the bankruptcy context?

10            A     Yes.

11            Q     Would you please turn to page --  
12       actually, given that we are short on time, I  
13       will pass on that question. But I'll refer  
14       to that -- to the bankruptcy filing and  
15       financials that, for example, are given to  
16       the bankruptcy court on a regular basis.  
17       That is set forth in MCE-X-1 beginning on  
18       page 25.

19                   And have you provided to the  
20       Commission a breakdown of sources and uses  
21       between the company and the corporation?

22            A     I'm not aware of doing that yet.

23            Q     And MCE had also requested for a  
24       visual representation, such as a cash flow  
25       diagram of this transaction. Does PG&E have  
26       such a diagram?

27            A     Can you specify which transaction?

28            Q     Yes. How about the transactions

1     that close immediately in order to emerge  
2     from bankruptcy, those transactions.

3             A     It is reflected in the second page  
4     of my testimony.

5             Q     What I'm discussing is a visual  
6     representation, a visual map, not just a list  
7     of sources and uses.

8             A     No. We don't have a visual map.  
9     We identify the party, where the funding is  
10    coming from and where that funding is going.

11            Q     Okay. Now I would like to clarify  
12    what PG&E is actually saying in its testimony  
13    and what it is asking of the Commission. So  
14    you asked for four financing authorizations;  
15    correct?

16            A     That is correct.

17            Q     And you also have those tables set  
18    forth on the Tables 2.2 to 2.4; is that  
19    correct?

20            A     I believe that is correct. Yes.

21            Q     For Table 2.2 --

22            ALJ COOKE: Can you direct us to a  
23    page?

24    BY MS. KELLY:

25            Q     Yes. At 2-16 of your testimony.

26            A     I'm there.

27            Q     Thank you.

28                   For Table 2-2 (sic), what is the

1 date of sources that you are contemplating  
2 there? What is the date? As of what date  
3 are you contemplating there?

4 A We haven't specified a specific  
5 date. That will be dependent upon the  
6 receipt of the confirmation order and  
7 effectuating the exit stage of financing, and  
8 ultimately emergence from bankruptcy. We are  
9 anticipating roughly the middle of the  
10 summer.

11 Q Okay. And so this is the immediate  
12 exit from bankruptcy?

13 A That is correct.

14 Q And in Table 2.3, those used are  
15 upon the immediate exit; is that correct?

16 A That is correct.

17 Q And Table 2.4, what is that date?

18 A That would be immediately upon exit  
19 as well.

20 Q So the items set forth in 2.4 are  
21 contained within Table 2. -- can you explain  
22 where those fit?

23 A They would reconcile to 2.2, the  
24 sources. So the line in Table 2.2, new  
25 utility debt of 23.775 billion reconciles.  
26 This is an expansion of that detail under  
27 2.4.

28 Q Thank you.

1           So getting into the more specifics  
2 of things. So the 11 -- I'm just going to go  
3 one, two, three, four with your financing  
4 request. Is that okay?

5           A     Sure.

6           Q     Okay. So your first request is for  
7 11.85 billion in long-term debt?

8           A     That is correct.

9           Q     And that is also immediately upon  
10 exit?

11          A     That is correct.

12          Q     Okay. And is there a shorthand  
13 that is used more globally for that debt?  
14 So, for example, a long-term noteholder RSA  
15 debt, or some other defined term that is used  
16 consistently throughout your financials, in  
17 bankruptcy plan and your testimony?

18          A     If I could have one minute to flip.  
19 It is defined in my testimony a little bit  
20 later.

21          ALJ COOKE: Let's be off the record.

22                (Off the record.)

23          ALJ COOKE: Back on the record.

24          THE WITNESS: Page 2-27, at the bottom  
25 of the page there starts a description of the  
26 11.85 billion of long-term debt secured as  
27 contemplated by the noteholder RSA. It then,  
28 over the next I'll call it page and a

1 quarter, page and a third, breaks down those  
2 specific insurance.

3 MS. KELLY: So this is reflected on  
4 Exhibit 2.7; is that correct? No.  
5 Exhibit 2.7, Volume 4, PG&E-4.

6 ALJ COOKE: Let's be off the record.  
7 (Off the record.)

8 ALJ COOKE: Let's be back on the  
9 record.

10 I think what we are doing is doing  
11 nomenclature reconciliation across different  
12 volumes of the testimony?

13 MS. KELLY: And the plan, your Honor.

14 ALJ COOKE: And the plan.

15 BY MS. KELLY:

16 Q Okay. So let's starts from the  
17 beginning. Thank you.

18 So you are requesting 11 -- the  
19 first request is 11.85 billion in long-term  
20 debt. Where is that -- where are the term  
21 sheets for this? My apologies. Let me go  
22 back to my original question.

23 Is this the same debt as reflected  
24 in Exhibit 2.7?

25 A And 2.6. ]

26 Q So you have to look at 2.6 and 2.7  
27 combined in order to reach this figure?

28 A That's correct. And a summary of

1 that can be found basically on page 228 of my  
2 testimony.

3 Q Okay. So the -- and so it isn't  
4 exactly long-term debt. It's a split of  
5 medium-term debt and long-term debt; is that  
6 correct?

7 A Technically it's long term because  
8 it's greater than a year, but the maturities  
9 do differ, so we characterize them as medium  
10 term for essentially five-and-eight-year  
11 notes and the longer-term notes.

12 Q And what are the mandatory uses of  
13 that debt on your tables, Table 2.3?

14 A It addresses the line item on 2  
15 point -- Table 2.3 that is entitled  
16 Pre-Petition Debt, 22.18 billion.

17 Q Let me just take a quick pause  
18 there. So these notes that you're talking  
19 about are notes of the utility, correct?

20 A That is correct, yes.

21 Q And that is paying off items that  
22 include holding company debt?

23 A May I explain in a longer answer?

24 Q Yeah. Let's turn to page 2-10 of  
25 your testimony, PG&E-1. And I would  
26 appreciate a short answer. And then if the  
27 short answer doesn't answer it, then we can  
28 talk about the longer answer.

1           A    The short answer is it doesn't  
2   relate to the items identified on page 2-10  
3   of my testimony. It relates to Table 2.3  
4   that pre-petition debt which I can break down  
5   for you.

6           Q    I am sorry. I couldn't follow  
7   that. Can you say that again?

8           A    It might be easier if I had the  
9   opportunity to --

10          Q    Yeah, please.

11          A    When we entered bankruptcy, we had  
12   22.18 billion of debt at the utility. That  
13   is entitled Pre-Petition Debt under Table  
14   2.3. Some of that debt was high-coupon debt  
15   that we negotiated with noteholders to  
16   exchange into new lower-cost notes that are  
17   outlined later in my testimony. That's that  
18   11.825 billion if you look on Table 2.2.

19                Just above that line on Table 2.2,  
20   there's a Reinstatement of Utility Debt. So  
21   that 9.575 billion were the low-coupon bonds  
22   that we thought were in customers' interest  
23   to reinstate.

24                If you add the 9.575 billion and  
25   11.85, it's essentially addressing the  
26   pre-petition debt of the utility in that  
27   manner.

28          Q    Okay. Would you please turn to

1 page 2-10 of your testimony?

2 A I am there.

3 Q So, one of the items that is  
4 identified as Pre-Petition Debt is Utility PC  
5 Bond Claims and Hold Co-Funded Debt Claims.  
6 What are the Hold Co-Funded Debt Claims?

7 A Prior to entering bankruptcy, we  
8 had a term loan at the holding company. And  
9 we had draw on the corporate revolver. So we  
10 had two borrowings at the holding company.

11 Q So is -- turning back to Table 2.3,  
12 is that included in the pre-petition debt  
13 line item?

14 MR. WEISSMANN: Can you just repeat  
15 your question please?

16 BY MS. KELLY:

17 Q Yes. What I am trying to  
18 understand just more generally there is a  
19 long-term debt that is going to be -- planned  
20 to be taken out by the utility. So this is  
21 this 11.85 billion. It is going to be used  
22 for pre-petition debt and that pre-petition  
23 debt includes debt of PG&E Corporation.

24 So I am trying to understand that.

25 MR. WEISSMANN: That misstates his  
26 testimony, but you can answer.

27 THE WITNESS: Included in 22.18 billion  
28 is the funded debt of the holding company

1 which is approximately 650 million.

2 BY MS. KELLY:

3 Q And are there any other amounts of  
4 pre-petition debt that are at the corporation  
5 level?

6 A No.

7 Q And so is that 650 million going to  
8 be paid for directly or indirectly by the  
9 11.5 billion in long-term debt?

10 A No.

11 Q So, your next request is 11.925  
12 billion in what you call additional long-term  
13 debt. Where is that reflected on these  
14 tables?

15 A On Table 2.2. There is new debt of  
16 5.825 billion and then temporary utility debt  
17 of 6 billion. And then -- apologies -- above  
18 those two lines there's a refinancing of  
19 pollution control bonds for 0.1 million.

20 ALJ COOKE: So, time check here, about  
21 a half hour.

22 MS. KELLY: Okay. Thank you. I hope  
23 to be done. This is taking longer than I'd  
24 expected, your Honor. Okay. May we go off  
25 the record for a moment?

26 ALJ COOKE: Off the record.

27 (Off the record.)

28 ALJ COOKE: Back on the record.

1 Ms. Kelly.

2 BY MS. KELLY:

3 Q Thank you, your Honor. Okay. So  
4 and then where are the -- in your exhibits,  
5 where are the term sheets for those? Or  
6 where are those documents referenced in your  
7 exhibits?

8 MR. WEISSMANN: Could you clarify what  
9 documents you're referring to, counsel?

10 BY MS. KELLY:

11 Q The 11.925 billion in additional  
12 long-term debt.

13 A I don't believe they were  
14 referenced in the exhibits because they are  
15 the debt that we need to issue upon exit. So  
16 we are looking for authorization here to do  
17 so.

18 Q So there are no term sheets or  
19 commitment letters for that?

20 A The 5.825 billion is part of the  
21 bridge commitment letter in Exhibit 2.8.

22 Q And the remainder does not have any  
23 commitment letter or term sheet?

24 A Correct. We have not negotiated  
25 one currently.

26 Q And you're attempting for the  
27 Commission to authorize this transaction  
28 without the terms and conditions of those

1 debts?

2 A We are asking for authorization to  
3 issue 6 billion of debt at the utility but  
4 that debt would be paid for by shareholders.

5 Q But it would be taken out at the  
6 utility level?

7 A That's correct.

8 ALJ COOKE: Let me ask a question.

9 Mr. Wells, are you aware of when the  
10 Commission reviews applications to grant  
11 utilities authority to issue debt of whether  
12 those applications include terms and  
13 conditions related to that authority to issue  
14 debt?

15 THE WITNESS: Yes, I am generally  
16 aware, yeah, yeah.

17 ALJ COOKE: And are you aware of  
18 whether those applications typically do  
19 include those terms and conditions or do not?

20 THE WITNESS: I'm not aware.

21 ALJ COOKE: You're not aware of whether  
22 they -- what they include?

23 THE WITNESS: What they typically  
24 include, yes.

25 ALJ COOKE: Okay. Thank you.

26 BY MS. KELLY:

27 Q Okay. So we have the bridge  
28 commitment letter which we have defined,

1     which I do want to come back to, and some  
2     other needs that do not have commitment  
3     letters or term sheets.  Okay.

4                 Now turning on to Item 3, this 6  
5     billion dollars in short-term debt, where is  
6     that reflected in the sources and uses --  
7     rather sources?  My apologies.

8                 A     That third authorization is not  
9     directly reflected in sources.  It's  
10    authorization for ongoing short-term  
11    borrowing.

12                Q     And that would be executed  
13    immediately upon exit?

14                A     It would be a variety of  
15    instruments that we've outlined later in my  
16    testimony.

17                Q     And each of those instruments are  
18    expected to be entered into immediately upon  
19    emergence?

20                A     Not necessarily.  Some of them may,  
21    but not all of them.

22                Q     And where are the term sheets and  
23    commitment letters for those transactions?

24                A     We have not finalized the  
25    negotiations.

26                Q     Okay.  Next item, Item 4.

27                       11.925 billion in short-term debt  
28    to temporarily finance PG&E's exit from

1 bankruptcy?

2 ALJ COOKE: Ms. Kelly, can you direct  
3 me to where that number is?

4 MS. KELLY: Yeah. That is Item 4.

5 And I apologize. I will speak into  
6 the microphone.

7 Item 4 on page 2-3 of Exhibit  
8 PG&E-1, the main part of PG&E's testimony.

9 ALJ COOKE: Thank you.

10 MS. KELLY: Thanks.

11 ALJ COOKE: So that is showing on  
12 line 21 of 2-3?

13 MS. KELLY: Line 25 of two dash -- 26  
14 -- my apologies, 2-3.

15 ALJ COOKE: Okay.

16 BY MS. KELLY:

17 Q Okay. So, where does that 11.925  
18 billion show up in the sources and uses?

19 A It's essentially the short-term  
20 financing of the three line items that I  
21 mentioned that we need, new utility debt that  
22 would be refinancing of pollution control 0.1  
23 billion, new debt 5.825 billion and temporary  
24 utility debt 6 billion.

25 Q So you're actually talking about  
26 when you had said that -- when you identified  
27 the items of what I am going to call Request  
28 Number 2, same amount 11.925 billion, that is

1     -- can you explain the relationship between  
2     Request Number 2 and Request Number 4?

3             A     They're similar. Request 4  
4     authorizes the short-term nature, to the  
5     extent that we have to issue the securities  
6     under the bridge commitment that is  
7     referenced in Exhibit 2.8 and to the extent  
8     that we issue short-term temporary utility  
9     debt.

10            The purpose would be that  
11     ultimately that should be long-term debt that  
12     will be refinanced into the long-term notes  
13     that are referenced in Authorization Number  
14     2.

15            Q     So what you're saying is anything  
16     that you are not able to finance under the  
17     11.925 billion would be in essence shifted to  
18     this short-term financing; is that correct?

19            A     Not necessarily. I would look at  
20     it as somewhat of an insurance policy to make  
21     sure that we would have exit financing on a  
22     short-term basis for the exit, which we would  
23     ultimately defer into long-term financing.

24            ALJ COOKE: Can I ask a clarifying  
25     question here?

26                   On page 2.3, you have the item at  
27     line 21. That's the same figure 11.925  
28     billion in long-term financing and then in

1 Number 4 which shows on the same 11.925  
2 billion, on line 26 of page 2.3 of Exhibit  
3 PG&E-1. That's the same new utility debt  
4 that you're referring to. It's just at  
5 different points in time it might be short  
6 term versus long term. It's not twice?

7 THE WITNESS: It's not intended to be  
8 duplicative, your Honor. It's to the extent  
9 that for whatever reason we can't access the  
10 capital markets at exit, the bankruptcy  
11 committed to fund on a short-term basis a  
12 bridge loan, which would ultimately be taken  
13 out with-long term debt. And so we wouldn't  
14 intend to have at the same time the same  
15 amount issued twice.

16 It's just effectively the same  
17 amount in case we have challenges raising the  
18 money.

19 ALJ COOKE: But you're seeking the  
20 authority to do it at the full amount at  
21 either level because over time that need will  
22 change?

23 THE WITNESS: That's correct.

24 ALJ COOKE: Thank you.

25 BY MS. KELLY:

26 Q And to clarify, that request would  
27 be authorization for overall debt outstanding  
28 at any one time for two -- Item 2 and Number

1 -- Item 4 of 11.925 billion?

2 A That's correct.

3 Q Thank you. Now I would like to  
4 turn to your utility bridge loan,  
5 Exhibit 2.8?

6 ALJ COOKE: And Exhibit 2.8 is in  
7 PG&E-2?

8 MS. KELLY: 2.8 is in PG&E --

9 ALJ COOKE: PG&E-4?

10 MS. KELLY: -- 7.

11 ALJ COOKE: Let's be off the record.

12 (Off the record.)

13 ALJ COOKE: Let's be back on the  
14 record.

15 To clarify where we are, we're in  
16 Exhibit PG&E-7, page 2-EXH.2.8-1. And  
17 although this document is entitled Personal  
18 and Confidential, in it, it is not  
19 confidential any longer.

20 BY MS. KELLY:

21 Q Thank you. I am actually, due to  
22 the limited number of minutes I have in  
23 cross-examination, please just hold that  
24 place for just a second so I can ask a quick  
25 but important question on another item.

26 In the main portion of PG&E's  
27 testimony, in your testimony, page 2-21 --

28 A Yes.

1 Q -- please look at Footnote 47.

2 A Yes.

3 Q Where is the complete list of  
4 waivers that PG&E is requesting of the  
5 Commission in connection with this plan?

6 A I believe we clarified that. We  
7 began to outline it on page 2-22 of the  
8 testimony and then clarified that. I forget  
9 the official title of the document, but with  
10 testimony this week. I can walk through the  
11 three adjustments that we're seeking if that  
12 would be helpful.

13 ALJ COOKE: Let's have a statement from  
14 counsel after lunch of what that  
15 clarification was that was done in the  
16 earlier testimony.

17 MS. KELLY: That would be great. Thank  
18 you, your Honor.

19 Q And just to clarify, in the  
20 footnote, this includes -- I'm sorry. I just  
21 want to make sure I am close to the  
22 microphone here. Ratemaking capital, holding  
23 company conditions and Affiliate Transaction  
24 Rules; is that correct?

25 A That's correct.

26 Q And it says, "including in  
27 connection with any dividends." Could you  
28 explain that please?

1           A     Part of -- the company needs to  
2     satisfy its capital structure requirements in  
3     order to declare a dividend. So we're  
4     suggesting here the adjustments would be part  
5     of the calculation to become in compliance  
6     with this capital structure.

7           Q     And so are you referring here to  
8     the Commission's requirement on the first  
9     priority condition of the holding company?

10          A     I'm not familiar with that  
11     condition.

12          Q     So you have not made a showing in  
13     your testimony that PG&E is in compliance  
14     under these transactions with the first  
15     priority condition?

16          A     What I intended to do with this  
17     testimony is reflect the adjustments --

18               MS. KELLY: Objection. Nonresponsive.

19          Q     Have you demonstrated in your  
20     testimony that PG&E has met a first-priority  
21     condition?

22               MR. WEISSMANN: Objection. Calls for a  
23     legal conclusion.

24               ALJ COOKE: The witness can answer to  
25     the best of his ability.

26               THE WITNESS: I'm not sure.

27               BY MS KELLY:

28          Q     Thank you. Turning back to the

1 commitment letter?

2 ALJ COOKE: Two minutes.

3 MS. KELLY: Thank you, your Honor. I  
4 will make this as quick as possible.

5 Q Okay. So, this -- the term sheet  
6 refers also to a sort of sister financing,  
7 let's call it, of the -- or parallel  
8 financing, let's call it, of PG&E  
9 Corporation; is that correct?

10 A Yes.

11 Q And those -- these two documents  
12 are very interrelated; is that correct?

13 A Only insofar as it's the same banks  
14 providing the commitment.

15 Q Okay. So let's start with what is  
16 being secured under this note. So this is --  
17 this note, what you call what again, the  
18 bridge facility?

19 A The bridge commitment letter.

20 Q Bridge commitment letter is a  
21 first-priority security interest in  
22 substantially all of the present and after-  
23 acquired assets of the borrower. That's the  
24 utility, correct?

25 A That's correct.

26 Q Okay. Now, if you could turn to  
27 mandatory prepayments and commitment  
28 reductions starting at page 26.

1           A    I don't have a page 26.

2           Q    Oh, sorry. This is on MCE -- I'm  
3   sorry. This is in --

4           ALJ COOKE: Let's be off the record.

5                   (Off the record.)

6           ALJ COOKE: Back on the record.

7   BY MS. KELLY:

8           Q    Okay. So, in these mandatory  
9   prepayments, it states here on page 27,  
10   middle of the second main paragraph, the  
11   borrower may not prepay loans or reduce  
12   commitments under the facility, that's this  
13   facility, without prepaying or reducing the  
14   PG&E facility on a pro rata basis. Do you  
15   see where that is?

16          A    Yes, I see that.

17          Q    Okay. So, in essence any payments  
18   under this facility, you have to pro rata pay  
19   down the same amount in the corporation case  
20   facility?

21          A    I would need time to read this to  
22   --

23          Q    Who would be the correct witness to  
24   ask about the terms and conditions of these 6  
25   billion dollar finances? I mean that would  
26   be you as the Chief Financial Officer; is  
27   that correct?

28          A    That's correct. I just need a

1 minute to read the document.

2 ALJ COOKE: Let's be off the record.

3 (Off the record.)

4 ALJ COOKE: Let's be back on the  
5 record.

6 Mr. Wells has reviewed it.

7 Ms. Kelly, what is your question?

8 BY MS. KELLY:

9 Q Yes. Thank you.

10 So the amounts under this facility  
11 cannot be repaid without also repaying the  
12 debt of the corporation level?

13 A I believe that's correct.

14 Q And is that -- the term sheet for  
15 that corporate debt included anywhere in your  
16 testimony?

17 A Other than the commitment in the  
18 bridge commitment, no, I don't think so.

19 Q Just to clarify, so you have  
20 provided the PG&E Company bridge commitment  
21 letter but not the PG&E Corporation bridge  
22 commitment letter that is referenced here?

23 A I thought we provided both. It's  
24 my hesitation.

25 Q Perhaps PG&E counsel can clarify  
26 that later.

27 ALJ COOKE: Yes. After break, we'll  
28 have a clarification from counsel on that.

1 BY MS. KELLY:

2 Q Okay. Thank you. And in order to  
3 be able to prepay the -- to repay the amounts  
4 up at the corporation level, where does  
5 that's money come from?

6 A Typically it comes through  
7 refinancing what is a short-term debt  
8 instruments with a long-term.

9 Q I guess my question was: Is that  
10 coming from the company or -- is that money  
11 coming from the company or is that money  
12 coming from the corporation?

13 A Ultimately the money to satisfy the  
14 debt would be dividends from the utility.  
15 These instruments are what I would consider a  
16 form of insurance as a backstop so that we  
17 can raise the money despite what is happening  
18 in the market upon exit.

19 So, the intention here would be  
20 that it be repaid with a similar long-term  
21 instrument.

22 Q But in the meantime, until you  
23 refinance, all these commitments are the  
24 responsibility of the company and you're  
25 seeking approval of those transactions; is  
26 that correct?

27 A I am.

28 Q And this is my last one, I promise,

1 your Honor. Thank you very, very much for  
2 your patience.

3 So turning back to mandatory  
4 prepayments and commitment reductions, on  
5 page 26, subsection A, it states that one  
6 hundred percent of the net cash proceeds of  
7 all asset sales or other disposition, the  
8 property of PG&E, the borrower and the  
9 respective subsidiaries and any insurance and  
10 condemnation proceeds need to prepay the  
11 debt. I am paraphrasing. Other than the  
12 important phrase "any insurance and  
13 condemnation proceeds," is that accurate?

14 A Yes.

15 Q Okay. So, for example, if there  
16 were a fire and PG&E received insurance  
17 proceeds at the company level, all of those  
18 proceeds would be required to go down -- to  
19 go to pay down this debt; is that correct? ]

20 A That's correct, because again, this  
21 is intended to be short-term in nature.

22 Q Okay. And say -- say the insurance  
23 proceeds are \$500 million. I'm just picking  
24 any number. So PG&E Company receives  
25 \$500 million in insurance proceeds, and PG&E,  
26 the corporation, who has an equivalent-sized  
27 facility, would then have to come up with  
28 \$500 million to repay their pro rata, their

1 amount, under their facility. Is that  
2 correct?

3 A Yes.

4 Q And in addition, the insurance  
5 proceeds are intended for something, are  
6 intended to pay for a loss. Is that correct?

7 A That is correct.

8 Q So those losses would still have to  
9 be paid for in some way?

10 A That's correct.

11 Q And how would those losses be  
12 compensated otherwise?

13 A Through a typical financing. This  
14 facility is just short-term insurance to  
15 ensure that we have the committed capital at  
16 exit. This is not intended to be a long-term  
17 borrowing of the company.

18 Q I -- I understand that it is not  
19 intended to be a long-term borrowing of the  
20 company. But, my specific interest is for --  
21 with regards to ratepayers, are -- are they  
22 bearing that -- those risks in -- in this  
23 transaction, which it's solely to understand  
24 how this transaction works.

25 So -- so I now understand that if  
26 PG&E receives insurance proceeds, it has to  
27 pay off a loan. PG&E Corporation would also  
28 at that time also have to pay essentially an

1     equivalent amount on its loan, and PG&E would  
2     need to come up with additional money to  
3     offset the -- the losses that would otherwise  
4     be paid for by insurance?

5             A     While I agree with that  
6     interpretation, it mischaracterizes the  
7     intent.

8             Q     But, that's what it says on paper?

9             A     Yes, but it mischaracterizes the  
10    intent.

11            Q     And that is what is being committed  
12    to under this term sheet?

13            A     I think the benefit of this is  
14    regardless of what occurs in the financial  
15    markets, and we've seen incredible disruption  
16    this week with the Corona virus, customers  
17    would have the benefit of the ability for the  
18    company to make a timely contribution to the  
19    state's wildfire fund, and to participate in  
20    AB 1054. We had a certainty with this  
21    committed financing. It also provides  
22    victims the comfort that the amounts we  
23    agreed to pay will be available at exit.  
24    It's a short-term instrument that is  
25    considered to be what I would characterize as  
26    insurance on the exit financing. The  
27    agreement works the way you've described, but  
28    it mischaracterizes the -- the intent.

1           Q    And would any refinancing of this  
2   facility have similar terms?

3           A    I don't think so.

4           Q    But, that is not provided in your  
5   testimony?

6           A    It would be uncommon to have the  
7   relationship between the holding company  
8   financing and the utility financing in a  
9   long-term -- long-term debt -- debt financing  
10  agreement.

11          Q    And is it common in a short-term  
12  debt financing agreement?

13          A    Yes, because of the -- what is, in  
14  everybody, the insurance nature of this  
15  committed financing.

16          MS. KELLY:  Thank you, your Honor.  I  
17  have no further questions.

18          ALJ COOKE:  All right.  Thank you.

19               And just for purposes of the record,  
20  since some of the discussion occurred off the  
21  record, we had -- City and County of  
22  San Francisco ceded their questioning time to  
23  MCE, and Cal Advocates also ceded some of  
24  their time to MCE to allow Ms. Kelly to  
25  finish her line of questioning.

26               The next cross-examiner is  
27  Mr. Geesman for A4NR.  And again, please  
28  speak into the microphone.

1 MR. GEESMAN: Thank you, your Honor.

2 CROSS-EXAMINATION

3 BY MR. GEESMAN:

4 Q Good morning, Mr. Wells.

5 A Good morning.

6 Q I'd like to start with a follow-up  
7 to the question that the judge asked you, and  
8 I will ask you to please explain how it is  
9 that the Chief Financial Officer of this  
10 company is unaware of whether the application  
11 for financial authorization it seeks from  
12 this commission typically includes terms and  
13 conditions of that financing?

14 A I didn't understand the -- the  
15 specific term and how that related to the  
16 procedural requirements. I understand the  
17 various filings we make, but I -- I -- I  
18 couldn't connect to the -- to the description  
19 that was provided.

20 Q You have participated in those  
21 types of applications at this commission  
22 before, have you not?

23 A I have, yes.

24 Q Thank you. I'd like to turn to  
25 page 2-3 of your testimony, lines 12  
26 through 15.

27 ALJ COOKE: This is in Exhibit PG&E-1?

28 MR. GEESMAN: Yes, your Honor.

1 THE WITNESS: I'm there.

2 BY MR. GEESMAN:

3 Q Lines 12 through 15, you -- you say  
4 that the company will achieve investment  
5 grade ratings for secured debt, and also  
6 expects to have investment grade credit  
7 metrics at emergence, and will have a clear  
8 path toward improving its credit metrics over  
9 time.

10 I believe you clarified with --  
11 with Ms. Kelly that those references to  
12 investment grade credit metrics were focused  
13 on the unsecured debt of the utility. Is  
14 that correct?

15 A No, I don't believe that is  
16 correct.

17 Q Okay. Would you clarify for me?

18 A Can you help me clarify the  
19 question you're seeking me to answer?

20 Q When you speak of investment grade  
21 metrics --

22 A Yeah.

23 Q -- are you referring to the  
24 utility's unsecured debt?

25 A I'm speaking to the quantitative  
26 assessment of the metrics under the plan, not  
27 the wholistic credit rating, which would also  
28 include assessment of the business risk

1 environment.

2 Q But, would that distinguish between  
3 the rating on a secured instrument from an  
4 unsecured instrument?

5 A What I was trying to convey with  
6 the statement is that on a unsecured and  
7 secured basis, I do believe that the  
8 quantitative metrics the company is proposing  
9 under its financial plan would qualify for  
10 investment grade.

11 Q Based on the five-year projections  
12 that PG&E has made, when do you expect either  
13 Standard & Poor's or Moody's or Fitch to  
14 recognize PG&E's achievement of these  
15 objectives?

16 MR. WEISSMANN: Objection, asked and  
17 answered.

18 ALJ COOKE: I do believe Ms. Kelly  
19 asked that question. Next question.

20 BY MR. GEESMAN:

21 Q Is there any point during that  
22 five-year period when you expect Standard &  
23 Poor's, Moody's or Fitch to issue a  
24 investment grade rating on the utility's  
25 unsecured debt?

26 MR. WEISSMANN: Same objection.

27 ALJ COOKE: I'll allow that -- that  
28 question.

1           THE WITNESS: I think they should. I  
2     can't speculate as to the timing, because  
3     it's not driven by the financial plan that we  
4     put forward, but more of an assessment of the  
5     business risk.

6     BY MR. GEESMAN:

7           Q     Would you describe that -- the  
8     business risk that you believe will drive  
9     your ratings over the next five years?

10          A     I'm sorry. Could you repeat the  
11     question?

12          Q     Would you describe the business  
13     risk that will drive your ratings over the  
14     five-year period that the company has  
15     projected?

16          A     I think it's a reflection of a  
17     concern around the California regulatory  
18     compact.

19          Q     So that's a blame your regulator  
20     type of problem?

21          A     Not at all.

22          Q     Would you elaborate, then, on what  
23     problems in the California regulatory compact  
24     you believe may prevent PG&E from achieving  
25     an investment grade rating on its unsecured  
26     debt?

27          A     I -- you know, I think probably the  
28     best example of this is while the credit

1 rating agencies acknowledge that the passage  
2 of AB 1054 was credit positive, they did not  
3 increase the credit rating of Southern  
4 California Edison, specifically pointing to  
5 they wanted to understand -- the credit  
6 rating agent -- agencies wanted to understand  
7 how the Commission would apply the new  
8 prudent manager standard under AB 1054. So  
9 there are certain conditions that the  
10 financial markets are looking to gain  
11 confidence in the broader California  
12 regulatory environment.

13 Q And does Southern California Edison  
14 have an investment grade rating on its debt?

15 A They currently do.

16 Q So what distinguishes PG&E during  
17 that five-year post emergence period from  
18 Southern California Edison?

19 A We also will carry the burden of  
20 proving that we can execute on our financial  
21 plan post emergence.

22 Q And are there prospects under your  
23 investment grade metrics that the debt of the  
24 holding company on an unsecured basis would  
25 achieve an investment grade rating?

26 A I think it's possible, yes.

27 Q During those five years?

28 A Yes.

1           Q    Page 2-5, lines 13 through 14 where  
2   you speak of PG&E's mission of safely and  
3   reliably delivering affordable clean energy,  
4   is that affordability objective subject to  
5   any sort of market price benchmark?

6           A    Yes.

7           Q    And would you explain what that is?

8           A    For residential customers, we look  
9   at the total bill cost. I'm proud to say  
10  that the company's total bills are about  
11  30 percent less than the national average.

12          Q    And how do your rates compare to  
13  the national average?

14          A    They're about a third higher on a  
15  rate basis. But, as I said, I think, from a  
16  residential customer standpoint, the focus is  
17  more on the share of wallet, or the total  
18  bill that's paid.

19          Q    So you're giving yourself credit  
20  for operating in a temperate climate?

21          A    Not at all. That is one of the  
22  factors, but I'm also proud of the company's  
23  track record with respect to supporting  
24  energy efficiency that has kept per capita  
25  consumption flat since the late '80s.  
26  When -- when you look at energy consumption  
27  per capita for the rest of the country, it  
28  has continued to increase.

1           Q    And do you believe your customers  
2           credit PG&E's programs with that  
3           accomplishment?

4           A    I think some do, yes.

5           Q    You think your customers consider  
6           your rates to be affordable?

7           A    I think many have expressed  
8           concerns around it.

9           Q    Page 2-15, lines 7 through 9, you  
10          state, and I'm quoting, "Other material  
11          adverse events may also impair PG&E's ability  
12          to raise capital for its emergence."

13                Have you performed any stress tests  
14          to determine what financial magnitude of  
15          adverse event your plan would stand without  
16          impairing the company's ability to raise  
17          capital for emergence?

18          A    We have.

19          Q    And what have those stress tests  
20          revealed to you?

21          A    The company has adequate capacity  
22          from a financial metrics standpoint for  
23          material adverse events. Coming back to my  
24          response on the credit ratings, the  
25          qualitative assessment of what occurs will  
26          also factor in, and that is harder to -- to  
27          pinpoint specifically.

28          Q    Well, let's focus on the

1 quantitative. What threshold of adverse  
2 event, in your judgment, could your plan  
3 withstand without impairing your ability to  
4 raise capital for emergence?

5 A It is completely facts and  
6 circumstances based. You know, one situation  
7 that we looked at was the risk of a  
8 catastrophic fire as we comply with AB 1054.  
9 The threshold for that may be different than  
10 a threshold for a different transaction. So  
11 it's not a universal assessment.

12 Q But, over that period of time that  
13 you evaluated would it be correct to assume  
14 you must have hypothesized an adverse event  
15 with a particular dollar consequence at a  
16 particular point in time, irrespective of the  
17 cause?

18 A I think cause matters. We  
19 hypothesized about different events  
20 occurring. The threshold for those events is  
21 different depending on the event itself.

22 Q Explain to me how that -- that  
23 works quantitatively. I'm trying to  
24 visualize a spreadsheet, and I'm not certain  
25 that the way Excel, for example, works  
26 distinguishes between cause of a  
27 10 million-dollar hit. So would you  
28 elaborate on your answer?

1           A    I'll acknowledge that there is an  
2    element of subjectivity to it.  But, if I --  
3    if I could elaborate for one instance, for  
4    example, yesterday we received a presiding  
5    officer's decision on -- that modified a  
6    settlement that we extensively negotiated.  I  
7    would say the focus there is more on, again,  
8    the regulatory compact and the potential  
9    instability that it introduces, and so that  
10   threshold is different than, say, a  
11   catastrophic fire that is covered by AB 1054.

12           Q    Okay.  Focused on the quantitative  
13   analysis, once you sorted through all of  
14   those subjective factors, was there a dollar  
15   amount of hit that you could absorb from an  
16   adverse event that you were comfortable with?

17           A    Yes.

18           Q    And what was that threshold?

19           A    Again, it -- it differs by the type  
20   of transaction.  So I don't think it -- I --  
21   I can't summarize it in a simple quantitative  
22   threshold.  The analysis just -- it doesn't  
23   lend itself to a singular number.

24           Q    Okay.  Were there a range of  
25   numbers that you considered survivable?

26           A    I mean I think, on one end, if we  
27   calculate a loss of 20 percent of the  
28   electric T&D equity portion of rate base,

1     that is a sizable number that the company  
2     could withstand.

3             Q     Okay. That's one example. Are  
4     there others?

5             A     And I think the continuum would  
6     kind of go all the way back to something  
7     just -- just north of zero, depending on the  
8     other qualitative factors.

9             Q     But, at the higher end, it would be  
10    20 percent of the company's T&D rate base.  
11    Did I understand that correctly?

12            A     Under specific conditions, yes.

13            Q     Thank you. And have you done a  
14    similar analysis for post emergence material  
15    events?

16            A     Yes. That's -- apologies. That's  
17    what I was referring to.

18            Q     Okay. Would your answer be  
19    different if it was focused on emergence or  
20    preemergence adverse events?

21            A     Likely not materially.

22            Q     Thank you. Page 2-15, lines 18  
23    through 20, you describe the \$6 billion in  
24    temporary utility debt.

25                   What steps does PG&E intend to take  
26    in terms of accounting separation or  
27    otherwise to guarantee that this temporary  
28    utility debt will remain, and I'm quoting

1 your testimony, "financial responsibility of  
2 shareholders, not customers"?

3 A Specifically, it would be addressed  
4 in the cost of capital proceeding, where we  
5 identify the authorized level of rate base  
6 multiplied times the authorized level of debt  
7 to ensure that the cost of financing  
8 customers are bearing is only the cost  
9 associated with financing our rate base, not  
10 additional debt for other needs.

11 Q So you're not envisioning using a  
12 special purpose vehicle to -- to segregate  
13 these cash flows?

14 A Not for purposes of this  
15 transaction here.

16 Q Not a separate account, either?

17 A It certainly would be a separate  
18 account in our financial statements, but I  
19 think the customers can have confidence in  
20 the application of our cost of capital and  
21 what is specifically used to finance rate  
22 base.

23 Q So will this temporary utility debt  
24 be cross-collateralized with or subject to  
25 cross-default provisions of other utility  
26 debt?

27 A I would envision it would be issued  
28 on similar terms.

1 Q And that's a "Yes"?

2 A Yes.

3 Q And what about cross-collateralized  
4 or subject to cross-default provisions of  
5 holding company debt?

6 A No, I don't -- I don't believe that  
7 would --

8 Q In -- I'm sorry. Did I cut you  
9 off?

10 A (Inaudible response.)

11 Q In the event of another PG&E  
12 bankruptcy, how would this temporary utility  
13 debt remain, and again quoting your  
14 testimony, "the financial responsibility of  
15 shareholders, not customers"?

16 A I -- again, I'll come back to the  
17 customer protections that we are only allowed  
18 to recover the cost of debt associated with  
19 the financing of rate base. So this debt  
20 would continue to be satisfied with the  
21 shareholder net operating losses that are  
22 proposed here.

23 Q Do you expect the terms of the  
24 temporary utility debt will include a  
25 make-whole provision that would be triggered  
26 in the event of an early redemption?

27 A Not likely.

28 Q Now, if I recall correctly --

1           MR. WEISSMANN: I wasn't sure the  
2 witness was done with his answer.

3           THE WITNESS: I was going to expand on  
4 it. Not likely, because what we're proposing  
5 here is that the realization of the  
6 shareholder NO -- NOLs. As that cash flow is  
7 generated, it would be used to retire the  
8 debt, and so we would traunch that temporary  
9 debt in a way that would event -- would --  
10 would minimize any make-whole risk.

11 BY MR. GEESMAN:

12           Q    So you would anticipate, then, that  
13 the securities issued to -- to finance this  
14 temporary utility debt would, in fact, have a  
15 make-whole provision, but that would be  
16 mitigated by the availability of the NOLs?

17           A    We're looking at both term loans,  
18 which would not have any make-whole  
19 provision, or a combination of different  
20 maturities such that we can manage the  
21 maturity schedule to minimize make-whole  
22 risk.

23           Q    When do you envision deciding  
24 whether -- whether the temporary utility debt  
25 will be short-term or long-term?

26           A    I think initially we will pursue  
27 shorter-term temporary debt as the  
28 application for securitization is

1 outstanding.

2 Q I'm not certain that I understood  
3 what -- what you meant by your reference to  
4 the -- the application for securitization  
5 being outstanding. Could you elaborate on  
6 that?

7 A Separately in my testimony, I  
8 referenced a separate application for  
9 securitization which we will file -- be  
10 filing in the coming weeks. The purpose of  
11 that securitization, if approved by the  
12 Commission, would be, in part, to pay off  
13 this temporary debt. And so, as that app- --  
14 separate application is out -- is  
15 outstanding, we would likely use shorter-term  
16 debt to minimize any make-whole risk.

17 Q But, you will have already made a  
18 decision, will you not, when you issue the  
19 \$6 billion as to whether that is short-term  
20 or long-term. Correct?

21 A That's correct.

22 Q And you'll have to make that  
23 decision before you know whether the  
24 Commission approves your -- your application?

25 A That's correct.

26 Q Okay. You say in Footnote 42 on  
27 page 2-16 that the temporary utility debt  
28 will be retired by the realization of

1 shareholder NOLs in the event there is no  
2 securitization transaction. Can you explain  
3 how that would work?

4 A Yes. As a result of the wildfire  
5 victim claims that are being paid in the  
6 bankruptcy proceeding as well as the wildfire  
7 fund contribution under AB 1054, there will  
8 be tax benefits generated that will be the  
9 property of shareholders, since they are  
10 funding those underlying costs. The  
11 realization of those shareholder tax benefits  
12 will come over time as we minimize what would  
13 have otherwise been payments, tax payments,  
14 to the IRS. We will take that cash flow and  
15 use it to satisfy either the securitization  
16 that's been proposed or the temporary utility  
17 debt proposed here.

18 Q And has PG&E done any Section 382  
19 studies to confirm the availability and  
20 timing of those NOLs?

21 A Yes, we have.

22 Q Am I correct in understanding those  
23 are confidential?

24 A Yes.

25 Q With respect to the securitization  
26 transaction, you indicated that you'll be  
27 filing that application in the coming weeks?

28 A That is correct.

1           Q    Do you have any anticipation when  
2           you might sell the securitization bond?

3           A    Right now, what we have modeled in  
4           our financial projections based on our  
5           assessment of the procedural schedule, could  
6           be as -- March 31st -- 31, 2021.

7           Q    I know it's early to do so, but  
8           have you made any projections of likely  
9           maturities of those bonds?

10          A    The securitization bonds?

11          Q    That's correct.

12          A    Yes, we have.

13          Q    And -- and what do you envision  
14          there?

15          A    Likely, a weighted average  
16          mature -- maturity of just under 20 years.

17          Q    What type of pricing spread to  
18          treasuries?

19          A    I don't have that figure in front  
20          of me, but one of the reasons why we think it  
21          is in all of the shareholders' interests is  
22          because of its better pricing. I just don't  
23          have the exact figure.

24          Q    But, you probably assumed some  
25          range of spreads, have you not?

26          A    I have.

27          Q    And what -- what assumptions have  
28          you used?

1           A    I -- I don't have the figures in  
2 front of me.

3           Q    What occurs to your mind as you sit  
4 here today?

5           A    Below three percent.

6           Q    Spread to treasury?

7           A    I don't know where treasuries are  
8 trading this week.

9           Q    Isn't -- isn't likely to be a very  
10 representative week.

11          A    Yeah.

12          Q    But, assume your treasury is  
13 treading -- trading at 1.5 on the ten-year.

14          A    Well, over the weighted average  
15 maturity of those securities, likely a  
16 hundred basis points, 125 basis points.

17          Q    You say at page 2-15, lines 24  
18 through 26, that PG&E will use the proceeds  
19 from the shareholder-certain tax benefits,  
20 including NOLs and other credits, to provide  
21 rate reductions.

22               Are there any other specific  
23 accounting mechanisms than those in your cost  
24 of capital proceeding that you anticipate  
25 using to -- to assure that those revenues are  
26 available?

27          A    As I mentioned, we will track in  
28 our underlying financial records, these items

1 separately. But, ultimately, I think the  
2 confidence that we are not pursuing recovery  
3 will be in the application of -- of our cost  
4 of capital.

5 Q But, you don't envision any -- any  
6 form of accounting firewall or ringfencing  
7 to -- to segregate those revenues, do you?

8 A We will have separate accounts for  
9 those.

10 Q Separate accounts within the same  
11 company?

12 A Correct.

13 Q What other shareholder-certain tax  
14 benefits besides NOLs do you intend to  
15 utilize for the rate reductions that's  
16 contemplated by your testimony?

17 A We're still in the process of  
18 finalizing that application, and so right  
19 now, it's largely based on the utilization of  
20 net operating losses. We're still evaluating  
21 if there's any other opportunities.

22 Q And just conceptually, what other  
23 opportunities might there be?

24 A Largely, I think it's going to  
25 really be reflective of the use of the -- the  
26 net operating losses.

27 Q You also mentioned other credits  
28 besides the shareholder-certain tax benefits

1     that you intend to utilize for these rate  
2     reductions.  What other credits are you  
3     talking about?

4             A     There would be a credit from  
5     shareholders.  One transaction that we are  
6     contemplating as part of this is a  
7     securitization that relies on a concept of  
8     present value for rate neutrality, because  
9     the timing of these shareholder NOLs will  
10    likely happen up front, and will exceed the  
11    cost of the debt, and so we may propose a  
12    transaction that relies on present value, and  
13    to the extent that we do, then we would need  
14    to make additional contributions to continue  
15    to keep customers rate neutral, on average.  
16    We would, in that circumstance, propose to do  
17    so.   ]

18            Q     And you would anticipate describing  
19    that in your application?

20            A     That is correct.  Yes.

21            Q     Page 2-19, lines 12 through 13, you  
22    say that the plan will yield significant  
23    savings associated with lower interest  
24    expenses of a utility.  What is the lower  
25    band, or bound, of what you would consider to  
26    be significant savings?

27            A     I think it is -- what we have  
28    proposed here, I revised my testimony

1 offering discounted rates on a discounted  
2 basis. 700 million is significant.

3 Q Let's go lower. When does it stop  
4 being significant?

5 A I think a rates reduction in any  
6 case is a benefit, and I think that that is  
7 positive for customers.

8 Q So as long as it is above zero, it  
9 is neutral; is that correct?

10 A As long as it is above zero, I  
11 would say it is in the benefit of the  
12 customers.

13 Q And that would satisfy the rate  
14 neutrality test, if I understood you  
15 correctly. Am I understanding you right?

16 A As it relates to this item here,  
17 yes.

18 Q At 2-24, lines 11 through 15, you  
19 speak positively of a significant flexibility  
20 PG&E gained from the terms of its \$12 billion  
21 in equity backstop commitments. Why does the  
22 PG&E Plan of Reorganization contemplate a  
23 capital structure of only 9 billion in common  
24 equity?

25 A I think the capital structure we  
26 proposed really reflects shareholder  
27 contributions of a total of \$16 billion. It  
28 is reflective of 9 billion in common equity

1     upfront, and over time the contribution of  
2     over \$7 billion in shareholder net operating  
3     loses. So the proposal is actually higher  
4     than what we have included in the original  
5     commitment letters.

6             Q     And does that \$16 billion number  
7     include the infusion of equity that will come  
8     from the holding company's sale of unsecured  
9     debt?

10            A     I did not include that amount in my  
11     calculation.

12            Q     So that would be even on top of the  
13     16, would it not?

14            A     That is correct.

15            Q     Why don't you include that when you  
16     describe the contribution from shareholders?

17            A     I could have.

18            Q     At Footnote 50 on page 26 you say  
19     that PG&E also anticipates filing a separate  
20     request for long-term financing authorization  
21     to address PG&E's post-emergence long-term  
22     financing needs. I take it that is separate  
23     from the securitization application?

24            A     Do you mind referencing a line?

25            Q     It is Footnote 50. It is on  
26     page 26.

27            A     Oh, sorry.

28                   This is separate from the

1 securitization transaction. These are the  
2 long-term debt authorizations that I  
3 reference in cross.

4 Q When do you anticipate making that  
5 filing?

6 A I asked for the authorization as  
7 part of my testimony here.

8 Q Okay. I'm clear now.

9 Last subject I wanted to touch on  
10 are the pollution control bonds. I wonder if  
11 you would explain what the company's intent  
12 is with respect to the existing pollution  
13 control bonds?

14 A May I correct my previous answer?

15 Q Yes.

16 A Apologies. The short-term debt  
17 authorizations that I referenced in my  
18 testimony are for the exit. Given the  
19 \$40 billion, or nearly \$40 billion that we  
20 plan to invest in our rate base, we will need  
21 additional post-emergence long-term debt  
22 authorization to fund that growth. That was  
23 what I was referring to here, and those would  
24 come post-emergence as the rate base is  
25 going.

26 ALJ COOKE: As a new application?

27 THE WITNESS: Yes.

28 BY MR. GEESMAN:

1           Q    When would you anticipate making  
2   that new application?

3           A    Well before the financing  
4   authorization is needed.

5           Q    But in your five-year projection  
6   have you made any assumption as to when you  
7   would be filing that application or when that  
8   financing would be needed?

9           A    Given the growth, we will likely  
10   have new financing needs in 2021.

11          Q    So you would anticipate the  
12   application coming before that?

13          A    Yes.

14          Q    And based on your five-year  
15   projections, what amounts are likely to be  
16   involved?

17          A    I don't have the exact figure. It  
18   would be the growth in rate base  
19   attributable. I don't have the figure on top  
20   of mind.

21          Q    General range in your mind?

22          A    Probably on an order of -- rate  
23   base is growing kind of roughly 3 billion a  
24   year, half of that funded, not exactly, with  
25   debt. So maybe a billion and a half  
26   annually, roughly. It will obviously be  
27   dependent on the specific financial needs at  
28   that time on average over the life of the

1 five years.

2 Q Thank you.

3 Now I wonder if you would describe  
4 for me what is going on with the pollution  
5 control bonds you currently have outstanding.  
6 What are your future plans for those?

7 A Plan is to refinance those upon  
8 exit.

9 Q All of them?

10 A Yes.

11 Q I believe your testimony makes  
12 reference, or rather a discovery response  
13 that you provided indicated that you would be  
14 foregoing the tax-exempt benefit of about 800  
15 million; is that correct?

16 A I believe that is correct.

17 Q So if you were foregoing that  
18 tax-exempt benefit, you would be refinancing  
19 them with taxable bonds?

20 A That is correct.

21 Q Why would you do that?

22 A The spread between the tax  
23 component and taxable pollution control bonds  
24 have narrowed significantly over the years.

25 Q Those bonds would still be secured  
26 by direct pay of letters of credit?

27 A I don't know.

28 MR. GEESMAN: Those are all my

1 questions. I want to thank you very much.

2 ALJ COOKE: Thank you, Mr. Geesman.

3 I think this would be a good time  
4 for a brief 10-minute break. So everybody  
5 please be back by 10:22. Off the record.

6 (Recess taken.)

7 ALJ COOKE: Back on the record.

8 Ms. Sheriff for CLECA.

9 MS. SHERIFF: Thank you. Good morning,  
10 your Honor.

11 CROSS-EXAMINATION

12 BY MS. SHERIFF:

13 Q Good morning, Mr. Wells.

14 A Good morning.

15 Q I represent the California Large  
16 Energy Consumers Association, or CLECA.

17 At page 2-14 of what has been  
18 marked for identification as Exhibit PG&E-1,  
19 you talk about conditions precedent to plan  
20 confirmation and effectiveness. What do you  
21 mean by "conditions precedent"?

22 A Conditions that would be needed for  
23 planned confirmation.

24 Q So, for example, you state at  
25 line 24 to 28 that PG&E requests that the  
26 Commission rule in Investigation 15-08-019  
27 that PG&E will not be forced to, and then you  
28 list several options that have been proposed

1 in that proceeding.

2 Is the company asking Judge Allen  
3 to draft a proposed decision in the Safety  
4 Culture Proceeding granting this request, and  
5 for the Commission to adopt it in the next  
6 few months?

7 A We think that it is in the  
8 customers' interest as part of this  
9 proceeding here, yes.

10 Q So you are asking the Commission to  
11 do that?

12 A Yes.

13 ALJ COOKE: Let me interject here. Are  
14 you then saying that if such a decision is  
15 not forthcoming between now on June 30th,  
16 that you will not be able to emerge?

17 THE WITNESS: It is a complicated  
18 answer. I don't think it is a -- the short  
19 answer is no.

20 The longer answer is this is one of  
21 the largest, will be the largest capital  
22 raise in the utility industry and one of the  
23 largest in corporate history. The more that  
24 we can provide stability, the more effective  
25 this capital raise will be.

26 ALJ COOKE: Thank you.

27 MS. SHERIFF: You asked the next  
28 question, your Honor.

1 ALJ COOKE: I thought I might.

2 BY MS. SHERIFF:

3 Q At page 2-15 and 2-16 and 2-17, Mr.  
4 Wells, you talk about temporary utility debt,  
5 and net operating losses and a proposed  
6 post-emergence rate neutral \$7 billion  
7 securitization transaction. Is that proposed  
8 securitization of the \$7 billion necessary to  
9 enable PG&E to exit bankruptcy?

10 A No. It is not necessary.

11 Q Thank you.

12 If the Commission were to deny  
13 PG&E's request to securitize the \$7 billion  
14 of debt postbankruptcy, would PG&E be unable  
15 to refinance the \$6 billion in short-term  
16 debt currently targeted for repaying the  
17 wildfire victims?

18 A We would be able to refinance.

19 Q Thank you.

20 Could PG&E use the cash flows from  
21 the net operating losses you reference in your  
22 testimony directly to support the 6 billion  
23 in utility debt, which is needed to pay the  
24 wildfire victims?

25 A That is the intention, if  
26 unapproved.

27 Q Thank you.

28 In terms of net operating losses,

1     you've also referenced another investigation,  
2     19-06-015, in your testimony in the  
3     discussion of conditions precedent. Between  
4     that proceeding and the plan of  
5     reorganization and bankruptcy there are two  
6     sets of net operating losses, right? Because  
7     you have two different sets of losses there,  
8     a much larger one here, about 27 billion, and  
9     then a smaller one in that I.19-06-015. So  
10    that's 2 billion, a little over 2 billion?

11           A     That is correct.

12           Q     So my question to you now is:  
13    Because you have those distinct, separate  
14    sets of net operating losses, how will PG&E  
15    apportion or attribute two different net  
16    operating losses, right? If you attribute  
17    the 2.137 billion from I.19-06-015 to  
18    ratepayers, and then the much larger chunk,  
19    the 27 billion, to go to the short-term  
20    utility debt, how will you track that?

21           A     We track all of these line items  
22    separately.

23                   If I may correct my previous  
24    statement. We actually have a third group of  
25    net operating losses when the company filed  
26    for bankruptcy. The company had net  
27    operating losses that were not referenced in  
28    the two that you mentioned. We track all of

1       that separately.

2               ALJ COOKE:   Just a moment.   I would  
3       just like to note for the record that  
4       Mr. Rechtschaffen has joined me on the dais.

5               Go ahead, Ms. Sheriff.

6               MS. SHERIFF:   Thank you.   Good morning,  
7       commissioner.

8               Q     Will it take you a long time to  
9       write off the \$27 billion in net operating  
10      losses that are contemplated here in this  
11      bankruptcy?

12              A     We haven't quantified the exact  
13      time line.   But, yes, it will be multiple  
14      years.

15              Q     So will the ratepayers be  
16      reimbursed in the first couple of years worth  
17      of the net operating losses or the  
18      2.137 billion in I.19-06-015, or will you do  
19      it as sort of a 3.7 percent in each year of  
20      the longer term writing off of the NOLs?

21              A     Apologies.   Can you help clarify  
22      that question?

23              Q     So you've got -- I'm not going to  
24      worry about the third set of NOLs.   I'm just  
25      looking at the two --

26              A     Yeah.

27              Q     -- I have in my head.

28                     The 2.137 billion from the

1 investigation I.19-06-015, and then 27.137  
2 billion from the plan of reorganization.

3 I'm looking to understand how will  
4 the ratepayers see the 2.137 billion of NOLs  
5 from I.19-06-015. Will it be refunded in  
6 years one, two and three entirely? Or will  
7 you do sort of a pro rata treatment over a  
8 longer term? Because, as you said, it will  
9 take you a while to write off the entire  
10 amount of the NOLs.

11 A Thank you for the clarification.

12 In short, I don't know. We are  
13 currently evaluating the presiding officer's  
14 decision that was released last night. And I  
15 don't have an answer this morning.

16 Q Okay.

17 ALJ COOKE: One more minute.

18 BY MS. SHERIFF:

19 Q At page 2-23, lines 3 to 5, you  
20 state that you have confidence in the  
21 company's ability to raise both equity and  
22 debt. Do you still have that confidence  
23 today?

24 A I do.

25 Q Okay. And then --

26 MR. WEISSMANN: Wait. I'm sorry.

27 Were you done with your answer?

28 MS. SHERIFF: May he please expand on

1 redirect, your Honor?

2 ALJ COOKE: Yes.

3 BY MS. SHERIFF:

4 Q You also say at lines 9 to 10 that  
5 a clear path to further -- you talk about a  
6 clear path to further improving the company's  
7 credit metrics. Does that involve  
8 participation in the wildfire fund?

9 A That is credit positive. But this  
10 sentence here was referring to the  
11 improvement of the quantitative metrics  
12 according to the financial plan.

13 Q Does PG&E's projection -- I'm  
14 sorry. Does PG&E's projection of an ability  
15 to obtain investment grade debt depend on its  
16 participation in the wildfire fund?

17 A Yes.

18 Q Do you know the -- what the  
19 unsecured credit ratings of Southern  
20 California Edison and San Diego Gas &  
21 Electric Company are?

22 A Generally, yes.

23 Q What are they?

24 A I believe Southern California  
25 Edison is BBB, and I believe SDG&E is either  
26 BBB+ or A-.

27 Q And you say you are still digesting  
28 the proposed decision that came out last

1 night in I.19-06-015, have you studied  
2 various possibilities in your -- you  
3 referenced Section 302 studies with  
4 Mr. Geesman. Have you studied various  
5 timings and how streams of tax benefits would  
6 be achieved?

7 A Yes.

8 MS. SHERIFF: Thank you, your Honor. I  
9 have nothing further.

10 ALJ COOKE: All right. Thank you. Mr.  
11 Abrams.

12 MR. ABRAMS: Thank you, your Honor.

13 CROSS-EXAMINATION

14 BY MR. ABRAMS:

15 Q Thank you, Mr. Wells.

16 I am, just by way of background, a  
17 wildfire survivor. In bankruptcy they call  
18 us "victims." And as part of that, through  
19 this bankruptcy proceeding, that means that  
20 we are going to be apparently in a trust that  
21 holds 21 percent of shares. So from that  
22 perspective, I'll be asking you questions  
23 today.

24 I feel an extra duty to talk as a  
25 victim, because the attorneys who are not DCC  
26 attorneys are precluded from doing so because  
27 of the RSA, which is unfortunate.

28 Taking a look, first I'm trying to

1 understand the degree to which you see the  
2 actions of PG&E tied to the financials of the  
3 victims. Are you aware that 50 percent of  
4 the settlement for victims will be paid in  
5 shares as opposed to cash?

6 A Yes, I am.

7 Q Are you aware that many of these  
8 victims are rebuilding homes and reliant upon  
9 that money to be able to rebuild their homes  
10 and their lives?

11 A I am aware.

12 Q Do you take that responsibility  
13 very seriously?

14 A Absolutely.

15 Q Do you also understand that there  
16 is a link between PG&E's actions and these  
17 very same folks in terms of being able to  
18 afford insurance and being able to have  
19 insurance in their homes that are next to the  
20 PG&E lines?

21 MR. WEISSMANN: Objection. Beyond the  
22 scope.

23 MR. ABRAMS: It is directly related to  
24 safety and security.

25 ALJ COOKE: I'll let him respond.  
26 Please answer to the best of your ability.

27 THE WITNESS: I understand there are a  
28 number of challenges and factors that are

1     impacting the ability to procure residential  
2     home insurance in fire prone areas, yes.

3     BY MR. ABRAMS:

4             Q     Would you say that the PG&E  
5     wildfires are a significant contributor to  
6     those insurance rates?

7             A     I'm not aware.

8             Q     You are not aware. Do you have  
9     active communications with the insurance  
10    industry to understand those implications?

11            A     Yes, we do.

12            Q     And from that dialogue, what are --  
13    what is your understanding regarding your  
14    impacts on those rates?

15            A     We regularly engage with the  
16    insurance markets. The focus the insurance  
17    markets have had sort of more broadly is fire  
18    risk generally. Obviously, given the 2015,  
19    '17 and '18 wildfires, insurers want to  
20    understand the programs we are undertaking to  
21    mitigate fire risk. They point to a  
22    multitude of factors that are impacting the  
23    availability of insurance.

24            Q     Is it your understanding from  
25    that -- from those discussions that they base  
26    their rating on subjective measures of how  
27    well things are going. And is that typically  
28    how they do rates, or do they sort of measure

1 the risk?

2 A I don't exactly know how they  
3 apprise residential homeowners insurance.

4 Q That wasn't my question. Do you  
5 consider that they measure the risk, or do  
6 you think they go on subjective measures,  
7 like other factors? Do you think they  
8 measure risk?

9 MR. WEISSMANN: Objection. Lacks  
10 foundation. He is asking him how insurance  
11 companies price.

12 ALJ COOKE: Let me have you repeat the  
13 question, Mr. Abrams.

14 BY MR. ABRAMS:

15 Q Your understanding from the  
16 discussions with the insurance carriers, do  
17 they measure risk?

18 A I think they try to quantify risk,  
19 yes.

20 Q Thank you.

21 If they are trying to quantify  
22 risk, does your quantification of risk and  
23 risk mitigation, are you providing those  
24 figures to them so that they can provide  
25 better homeowners insurance for your  
26 customers?

27 A They have not asked, nor have we  
28 provided our calculations.

1           Q    Okay.  Who have you provided your  
2   calculations to?

3           A    Liability insurance companies that  
4   provide the company insurance for future  
5   events, as opposed to insurance companies  
6   that underwrite insurance for homeowners  
7   themselves.

8           Q    Are those publicly available  
9   numbers?

10          A    The quantification of our wildfire  
11   risk is included as part of our Enterprise  
12   Risk Management Program and part of the SMAP  
13   process here at this Commission.

14          Q    Are those the same numbers, or are  
15   they different numbers or different level of  
16   detail that you provide to those insurance  
17   companies versus what you provide to the  
18   Commission?

19          A    It is the same.

20          Q    Same numbers.  Thank you.

21                I would like to now turn to the  
22   exhibit, I think it was X-9 that I submitted?

23          ALJ COOKE:  It is Abrams-X-9 a Better  
24   Way Out of PG&E Bankruptcy.  Is that what you  
25   are referring to?

26          MR. ABRAMS:  Yes, your Honor.

27          ALJ COOKE:  Do you have a copy of that,  
28   Mr. Wells?

1 THE WITNESS: I do. Thank you.

2 BY MR. ABRAMS:

3 Q I would like to be able to walk  
4 through the particular points associated with  
5 this. This is an op-ed that was put forth by  
6 Sam Liccardo, who I understand is the Mayor  
7 of San Jose; correct?

8 A That is correct.

9 Q So on the first page, one of his  
10 statements is that: masterfully sprinkling  
11 billions among the company's most powerful  
12 stakeholders-hedge funds, shareholders and  
13 bondholders-perhaps -- along with perhaps \$1  
14 billion in fees to consultants, banks and  
15 attorneys.

16 Is your understanding that that is  
17 a true and accurate statement of what you've  
18 done?

19 MR. WEISSMANN: Objection. Lacks  
20 foundation.

21 MR. ABRAMS: This is directly related  
22 to what the finances are and where the  
23 dollars go.

24 MR. WEISSMANN: That wasn't my  
25 objection. My objection is he didn't write  
26 this document, and he lacks foundation about  
27 the statements made here. You can ask him  
28 about his exhibit, which he goes into great

1 detail about the fees that are sought to be  
2 recovered. I don't think it is correct or  
3 fair to ask him to comment on adjectives that  
4 this author has chosen to use.

5 ALJ COOKE: Mr. Wells, would you agree  
6 that the places that this article states that  
7 funds will be going to is accurate,  
8 regardless of whether you agree with the  
9 characterization of the purpose of that  
10 effort?

11 THE WITNESS: I disagree with the  
12 characterization, but the figures are  
13 generally accurate.

14 ALJ COOKE: Okay. Thank you.

15 BY MR. ABRAMS:

16 Q Then the next sentence of the  
17 document it indicates that the bankruptcy is  
18 being put forward over the California Public  
19 Utilities Commission again and again. This  
20 is similar to Governor Newsom's objection  
21 that he raised in the bankruptcy proceeding  
22 that PG&E's objective through putting this  
23 bankruptcy forward is to hurry up the  
24 California Public Utilities Commission to  
25 make a hasty decision.

26 Is that your characterization and  
27 understanding?

28 MR. WEISSMANN: Objection. Lacks

1 foundation.

2 ALJ COOKE: Let's just start out with  
3 he can ask him his understanding of the words  
4 on the paper, and let's dispense with the  
5 objections. I'm going to let him answer  
6 those questions.

7 MR. ABRAMS: Thank you, your Honor.

8 ALJ COOKE: Do you have those questions  
9 in mind?

10 THE WITNESS: I disagree with the  
11 characterization.

12 BY MR. ABRAMS:

13 Q On the next page it states that  
14 this bankruptcy tethers the victims'  
15 financial futures to the performance of the  
16 company.

17 Do you agree with that statement?

18 A Yes.

19 Q Thank you.

20 And the next sentence it states, it  
21 also saddles those families with the risks of  
22 any future wildfires started by PG&E's  
23 failing equipment.

24 Would you agree with that  
25 statement?

26 A I don't agree with the  
27 characterization.

28 Q Do you agree that the families, the

1 victims who are relying upon this money, that  
2 they have risks associated with that  
3 investment?

4 A I would agree that there is some  
5 risk associated with that investment.

6 Q Would you say that these risks  
7 would increase if PG&E started another  
8 wildfire?

9 A It is hard to speculate.  
10 Obviously, a fire would be catastrophic. But  
11 under what conditions? There are many  
12 questions I would have.

13 Q So if PG&E -- I'm trying to  
14 understand this a little bit further. If  
15 PG&E starts a catastrophic wildfire, do you  
16 expect that the risks to these victims'  
17 investment will be adversely affected?

18 A I think there is risk, yes.

19 Q It doesn't -- I'm asking if the  
20 risk increases. So there is a wildfire. ]

21 A The risk increases, yes.

22 Q Thank you. I thought that would be  
23 obvious.

24 MR. WEISSMANN: Object to the  
25 statement.

26 ALJ COOKE: Let's just stick to the  
27 questions.

28 MR. ABRAMS: I will, your Honor. Thank

1     you.

2             Q     Do you understand that as a victim  
3     that these are difficult questions for me to  
4     be asking?

5             A     I do. And I apologize for what you  
6     have gone through, as well as the other  
7     victims.

8             Q     Thank you. In the next paragraph  
9     -- let me -- sorry. Let me take this back.

10            Do you agree that part of what this  
11     bankruptcy does and this bankruptcy agreement  
12     is it transfers risk from some of your  
13     entrenched investors to victims?

14            A     I would not agree with that  
15     assessment.

16            Q     Moving on to the next paragraph,  
17     the second sentence:

18                   In the 23-month span, over  
19                   which the company's wires  
20                   ignited 18 wildfires,  
21                   killing 107 people and  
22                   destroying 15,700 homes,  
23                   the company's shares  
24                   plummeted 90 percent.

25                   Is that a true statement?

26            A     I believe it is. I haven't  
27     recalculated. The stock declined, but yes  
28     directional.

1           Q    So I guess this goes back to the  
2   earlier question when I asked you would a  
3   wildfire affect the shares associated with  
4   victims. I guess the answer is  
5   categorically, yes; is that correct?

6           A    A wildfire would increase risk of  
7   financial results, yes.

8           Q    Yes. Thank you. In the next  
9   paragraph, it states that a federal court  
10  monitor found that PG&E falsified documents.  
11  Is that a true statement?

12          A    Yes, it is.

13          Q    Given that, would you say that  
14  there's a significant trust gap between what  
15  victims have experienced first-hand, these  
16  additional illegal transgressions that must  
17  be overcome by PG&E?

18          A    I recognize that we need to rebuild  
19  trust for the communities we serve, wildfire  
20  victims and all of the stakeholders for  
21  support.

22          Q    In the next paragraph it states  
23  that all cash payments as part of this  
24  agreement were provided to insurance  
25  companies. Is that a correct statement?

26          A    That is a correct statement.

27          Q    In the next sentence it says,  
28  "Hedge funds gobbled up insurance claims at

1 steep discounts and will reap the steep  
2 profits in their 11 billion payout in cash,  
3 not in stock." It is that a true statement?

4 A I can't speak specifically to what  
5 they paid. I don't know what they paid for  
6 these claims.

7 Q So, is it safe to state that the  
8 savvy entrenched investors have more  
9 protection for their investment than they do  
10 less savvy by-in-large victims associated  
11 with your fires?

12 A I don't agree with the  
13 characterization.

14 Q Were there asset liens provided  
15 through this bankruptcy process?

16 A Yes.

17 Q Are asset liens providing security  
18 for those investments?

19 A We're requesting security for the  
20 debt that we're issuing at exit, yes.

21 Q So, yes, they provide security for  
22 those investments?

23 A It's not -- I apologize. It's not  
24 our investment. They're providing security  
25 for the debt that we intend to issue.

26 Q Are their investments more secure  
27 because they have asset liens?

28 A Compared to?

1 Q Compared to where they were before

2 --

3 A Yes.

4 Q Before they got the asset liens?

5 A Yes.

6 Q So if they get asset liens and have  
7 more security, would the converse not also be  
8 true that because the victims do not have  
9 asset liens, they are less secure?

10 A I think that is a factual statement  
11 that equity is subordinate to debt and debt  
12 that is secured with an asset lien, yes.

13 Q Thank you.

14 In the next paragraph, it states:  
15 PG&E's plan also unfairly  
16 dilutes the victims' claims  
17 by committing to secure  
18 bondholder claims.

19 So does it dilute victims' claims,  
20 the fact that the bondholders claims have  
21 been secured?

22 A I don't agree with that statement.

23 Q From your understanding of the  
24 bankruptcy process, what came first? The TCC  
25 RSA deal or the bondholder deal?

26 MR. WEISSMANN: Objection. Beyond the  
27 scope.

28 ALJ COOKE: Could you repeat the

1 question?

2 BY MR. ABRAMS:

3 Q Is your understanding as the Chief  
4 Financial Officer which came first, the  
5 bondholder RSA or the TCC RSA in terms of how  
6 this -- the timeline?

7 A We executed the TCC RSA settlement  
8 before the noteholder RSA settlement.

9 Q Thank you. Given that order, would  
10 you say that the implications to the  
11 noteholder RSA could not have been  
12 incorporated into the TCC RSA because what  
13 transpired and the agreement came after they  
14 agreed to the TCC RSA?

15 MR. WEISSMANN: Objection. Beyond the  
16 scope.

17 ALJ COOKE: Can you repeat the question  
18 again?

19 BY MR. ABRAMS:

20 Q The noteholder RSA, as you have  
21 stated, came after the TCC RSA. So they  
22 signed, executed the agreement for the TCC  
23 RSA first; then came the noteholder RSA. So  
24 the implications to the noteholder RSA were  
25 not incorporated into or accounted for before  
26 the signatures and the commitment to the TCC  
27 RSA; is that not correct?

28 MR. WEISSMANN: Objection, your Honor.

1 We are seeking to relitigate matters that are  
2 within the jurisdiction of the Bankruptcy  
3 Court.

4 MR. ABRAMS: I am not. I am trying to  
5 get underneath the financials.

6 ALJ COOKE: I'm going to allow the  
7 witness to answer to the best of his ability.

8 THE WITNESS: Do you mind rephrasing  
9 the question again? I apologize.

10 ALJ COOKE: Let me ask the question I  
11 think.

12 Given that the noteholder agreement  
13 was entered into after the TCC agreement was  
14 entered into, do you believe that the TCC  
15 agreement does or does not include or reflect  
16 on how it would be impacted based on the  
17 noteholder agreement?

18 THE WITNESS: I think the execution of  
19 the noteholder RSA is a benefit to the TCC  
20 RSA.

21 MR. ABRAMS: That's not my question.

22 ALJ COOKE: That's the question that is  
23 before him.

24 THE WITNESS: I think -- yes, I think  
25 it is a benefit to the TCC RSA that we were  
26 able to negotiate the noteholder RSA  
27 afterwards.

28 ALJ COOKE: And do you believe that

1 the, or do you have any knowledge as to  
2 whether or not the entities that entered into  
3 the TCC agreement were aware of the terms of  
4 the RSA at the point at which they entered  
5 into the TCC agreement?

6 THE WITNESS: No. I don't think that  
7 the individuals that executed the TCC did so  
8 at a time with an understanding of the terms  
9 of the noteholder RSA. It was done well  
10 before.

11 ALJ COOKE: Okay. Thank you.

12 BY MR. ABRAMS:

13 Q Thank you. Given that the TCC  
14 represents the victims who are part of this  
15 shareholder class, wouldn't you say that that  
16 put them at a significant disadvantage to  
17 being able to assess the financial  
18 implications for which the deal they signed,  
19 given that the noteholder RSA came after?

20 MR. WEISSMANN: Objection. Beyond the  
21 scope.

22 ALJ COOKE: I will allow the witness to  
23 answer.

24 THE WITNESS: Not necessarily. The  
25 resolution of the noteholder RSA is a benefit  
26 for all stakeholders in the bankruptcy case.  
27 It creates stability.

28 ///

1 BY MR. ABRAMS:

2 Q Is that your opinion or fact?

3 A It's a fact.

4 Q Do you understand as part of this  
5 TCC RSA that there were provisions within  
6 that agreement that would prevent the TCC  
7 attorneys to be able to talk about the  
8 benefits and about perhaps some of the  
9 detrimental effects of what transpired after  
10 because they already executed their agreement  
11 and so are not free to be able to speak to  
12 the impacts that came after they were in the  
13 noteholder RSA? Are you aware of those  
14 provisions?

15 A I am aware of those provisions, but  
16 I don't agree with the characterization.

17 Q How would you characterize the  
18 silence of the TCC after these signatures on  
19 the TCC RSA?

20 A I think the noteholder RSA is a  
21 benefit for all stakeholders as part of this  
22 case. First, it eliminates any litigation  
23 risk; it creates support by all claimants in  
24 the bankruptcy for the Plan of Reorganization  
25 that was based. That creates stability and  
26 helps improve the exit financing. In  
27 addition, the noteholder RSA allows for their  
28 reduction of customer rates as it relates to

1 interest expense, which is a benefit for  
2 customers. So I think it's actually a  
3 benefit to all.

4 Q Okay. My next questions will  
5 challenge those assumptions.

6 It was indicated on the next  
7 paragraph of the same exhibit that the  
8 expectation is from Mayor Liccardo is that  
9 the company will receive a junk-level credit  
10 rating upon exit from bankruptcy. Is that  
11 your understanding, yes or no?

12 A I anticipate the issuer rating to  
13 be sub-investment grade. I anticipate the  
14 bond rating to be investment grade.

15 Q So when you say sub-investment,  
16 help me understand "sub" versus "junk."

17 A One in the same.

18 Q One in the same. So it is a  
19 correct statement then?

20 A The bonds themselves will be  
21 investment grade; the issuer rating will be  
22 as phrased here sub-investment grade or junk.

23 Q Thank you. At the bottom of that  
24 paragraph, it states 38 billion in debt and  
25 pay billions of dollars a year in interest.  
26 So this debt increased, correct me if I am  
27 wrong, generally from 34 billion to 38  
28 billion through the deal; is that correct, so

1     it increased the debt?

2             A     This deal didn't specifically  
3     increase the debt. This deal that was  
4     pre-conditioned debt was outstanding at the  
5     time of bankruptcy and did not address debt  
6     that we anticipated on issuing upon exit.

7             Q     Did it contribute to the increase  
8     of the debt?

9             A     It did not increase the level of  
10    total debt.

11            Q     Did it contribute to it?

12            A     It did not contribute to it.

13            Q     Is it a correct statement that  
14    billions of dollars a year in interest will  
15    need to be paid?

16            A     It is a correct statement, yes.

17            Q     In the next paragraph, it states  
18    the results would be hefty rate hikes. Do  
19    you believe that the results will be hefty  
20    rate hikes?

21            A     No. I disagree with that  
22    statement.

23            Q     Do you believe that the result will  
24    be any rate hikes?

25            A     No. The plan that we are proposing  
26    actually reduces customer rates as it relates  
27    to this plan.

28            Q     I am going to move to the last

1 sentence of this paragraph.

2 Company executives have  
3 little to fear. However,  
4 by turning wildfire victims  
5 into shareholders, they  
6 will have created a  
7 sympathetic bulwark against  
8 customer objections.

9 I would like to explore that a  
10 little bit. If PG&E needed to hike rates  
11 because say you had another wildfire, would  
12 you say that it would be more difficult for  
13 the California Public Utilities Commission to  
14 be able to not grant rate hikes if victims  
15 were counting on it to rebuild half their  
16 homes and half their lives?

17 A I don't agree with that statement.

18 Q So victims, being made shareholders  
19 through this agreement, would have a vested  
20 interest in seeing a greater return on that  
21 investment; is that correct?

22 A That would be correct.

23 Q Do higher rates lead to,  
24 oftentimes, greater return for investors?

25 A No.

26 Q They don't? There is no  
27 relationship between the rates you pay and  
28 what return goes to investors?

1           A     Our business model is cost of  
2     service. So our rates are adjusted for the  
3     cost to provide our electric and gas  
4     customers. Separate and a part from that, we  
5     set the authorized levels of the financing  
6     costs to finance the business. If the  
7     Commission decides to adjust the authorized  
8     financing levels, they can impact rates.

9                     What we have seen over the last  
10    decade is that rates have been more driven by  
11    the level of investment in our system which  
12    has nothing to do with profits for  
13    shareholders.

14           Q     So, I am not familiar with all the  
15    things that you just said. So if you could  
16    help me boil it down, so it sounds to me from  
17    what you said, and correct me if I am wrong,  
18    that there is some relationship between rates  
19    and what investors get paid; is that correct?

20           A     There is a relationship, yes.

21           Q     Given that relationship, victims  
22    who are now investors will want to make sure  
23    to the best of their ability, just like any  
24    investor would, would want to see a greater  
25    return on their investment; is that a correct  
26    statement?

27           A     I think that is a correct  
28    statement.

1           Q     Given that, would you expect that a  
2     victim who is also a customer like other  
3     investors would have sort of a conflict, if  
4     you will, or a difficult decision, because on  
5     the one hand they want to keep rates low so  
6     that they have lower energy bills, but on the  
7     other hand there may be, through increased  
8     rates, ability for them to get a greater  
9     return. Is that sort of a natural  
10    assumption?

11           A     I think it overstates the  
12    relationship.

13           Q     So if I'm a victim, and I want the  
14    stock price to go up, because now I am a  
15    shareholder and I live next to somebody in my  
16    community who is not a victim, their home was  
17    spared from the PG&E fires, my neighbor would  
18    like to keep rates as low as possible because  
19    he has got no upside associated with  
20    increased rates, only down side, the victim  
21    on the other hand has this difficulty because  
22    he would like to see a great return on his  
23    investment. Given that, do you see that this  
24    discontentment amongst neighbors helps the  
25    customers and helps the Commission and helps  
26    the public?

27           A     I still would disagree with this  
28    characterization. I do think it's in

1 shareholders' interest to keep rates  
2 affordable, providing what is an essential  
3 service to Northern and Central California.  
4 I think shareholders' reward is actually  
5 affordable service, as opposed to looking for  
6 rate increases. So I just fundamentally  
7 disagree with the assertion.

8 Q Would you agree with the assertion  
9 that "affordable" is not a fixed number --  
10 "affordable" is not a fixed number. I know  
11 there is some range there.

12 A I would agree with that.

13 Q So it could be something that you  
14 would consider affordable or the public would  
15 consider affordable that there might be a  
16 disagreement along the lines of what I just  
17 described; is that correct?

18 A Possibly.

19 Q I am done with that exhibit.  
20 Moving on to a few more questions,  
21 if I may.

22 So Beth Kelly in her cross and in  
23 her questions asked if there was  
24 confidentiality associated with the corporate  
25 financials. And you indicated that there was  
26 confidentiality; is that correct?

27 A On specific transactions, yes.

28 Q Understanding that of course

1 confidentiality is required in certain  
2 circumstances, would you say that to build  
3 trust, particularly for a company that has  
4 had the -- let's call it troubles that PG&E  
5 has had, that providing as much transparency  
6 is an important way to build trust?

7 A I do. As a public company, and as  
8 a company in bankruptcy, we submit financial  
9 information monthly to the Court and  
10 quarterly to the financial community.

11 Q Given that you're looking to build  
12 trust, would you say that you are bound by  
13 what is legally required or that you have the  
14 opportunity to go above and beyond what is  
15 legally required in terms of financial  
16 transparency and disclosing things to the  
17 public, to the victims, so that they get a  
18 better sense of their investment to help  
19 build trust?

20 A I believe transparency is important  
21 in any relationship critically in which we  
22 are trying to rebuild trust. That being  
23 said, full transparency is not necessarily in  
24 the stakeholders' interest. There are  
25 transactions that have more consequences that  
26 we need to maintain as confidential.

27 Q What's the extent of the asset  
28 liens currently with PG&E? What percentage?

1           A    We have very few asset liens  
2           currently.

3           Q    Can you give me a sense of  
4           percentage?

5           A    It's as very low percentage. We,  
6           prior to the bankruptcy, issued unsecured  
7           borrowing.

8           Q    Prior to the bankruptcy?

9           A    (Affirmative nod.)

10          Q    So is it a fair statement that what  
11          got the bondholders to drop their competing  
12          plan was they went from unsecured investment  
13          to secured investment?

14          A    That was likely an element of their  
15          agreement with a notable RSA. I think there  
16          were a number of other reasons as well.

17          Q    Was that type of security part of  
18          the TCC RSA for victims?

19          A    No. We did not offer -- sorry.  
20          TCC RSA does not include debt and therefore  
21          it does not include security.

22          Q    So in Mr. Johnson's statement, it's  
23          on the record, he stated that part of this  
24          bankruptcy first priority -- first priority  
25          was victims. Given what you've described,  
26          that the noteholders, who I imagine have been  
27          with PG&E for a long time, got security. I  
28          sort of feel security is a good thing. And

1 the TCC RSA and the victims through that  
2 didn't get security. How is that putting the  
3 victims first?

4 A I think what's important about the  
5 TCC RSA, it was negotiated extensively over  
6 months. And attorneys representing  
7 70 percent of the victims felt that this was  
8 in the interest of their clients. It  
9 reflected what they thought was necessary to  
10 satisfy their needs. This was not a  
11 unilateral decision by the company. So I  
12 think the TCC that we were -- the TCC RSA to  
13 the company was able to strike with -- allow  
14 for more cash to be available for victims at  
15 closing than the alternative. And as a  
16 result of those extensive negotiations, yes,  
17 I think this is a fair outcome.

18 ALJ COOKE: Just as a time check,  
19 Mr. Abrams, you have about five more minutes.

20 MR. ABRAMS: I will do my best, your  
21 Honor.

22 ALJ COOKE: Might be seven minutes.

23 BY MR. ABRAMS:

24 Q Thanks. Earlier you stipulated  
25 that the TCC RSA came first before the  
26 noteholder RSA.

27 A That's correct.

28 Q So the implications that you just

1 described about that security wasn't  
2 something that they could move on because  
3 they already inked their agreement before the  
4 noteholder RSA; is that correct?

5 MR. WEISSMANN: Objection. Asked and  
6 answered.

7 ALJ COOKE: Agreed. Sustained.

8 BY MR. ABRAMS:

9 Q I will move on. What do you know  
10 about how the victims' Trust will be managed  
11 as holding this 21 percent shares?

12 A I think that is still being -- the  
13 details are being worked out specifically,  
14 but as we disclosed as part of the disclosure  
15 statement, it's the intention of the Trust to  
16 sell the stock of the company over time in  
17 order to generate additional cash to help  
18 victims rebuild.

19 Q So over time. So if when there's  
20 another catastrophic wildfire, let's say this  
21 summer, would the management of this Trust  
22 preclude them from selling off all the shares  
23 in the Trust?

24 A The management of the Trust -- that  
25 Trust Agreement, to the best of my knowledge,  
26 is still being negotiated.

27 Q So do you stipulate that this -- I  
28 mean this is what we are all working with,

1 right, is being able to provide  
2 cross-examination on a moving plan so the  
3 degree to which you can provide solid answers  
4 would really help?

5 MR. WEISSMANN: Objection to the  
6 characterization, your Honor. I think he is  
7 doing his best to answer the questions to the  
8 best of his ability.

9 ALJ COOKE: I am not sure there is a  
10 question out there.

11 But do you agree that terms of  
12 various parts of the emergence are -- from  
13 bankruptcy are still being negotiated?

14 THE WITNESS: Yes.

15 BY MR. ABRAMS:

16 Q Is your understanding that the TCC  
17 RSA and how this Trust is going to be  
18 managed, give me your best guess. In, as  
19 these negotiations are ongoing, will these  
20 negotiations provide the opportunity for the  
21 manager of that Trust to sell those shares  
22 with the next wildfire if it's this summer? ]

23 A These are confidential negotiations  
24 that are still continuing to be worked out.  
25 The intention here is to sell that stock over  
26 time in a way that maximizes value and  
27 recovery for wildfire victims. It's still  
28 being discussed what that looks like.

1           Q    Thank you.  Would you say that the  
2   degree to which there is flexibility for that  
3   trust manager to do what they want and sell  
4   when they want and buy when they want and  
5   increase the investment is to the advantage  
6   of victims, and constraints on when those  
7   sell most likely would -- to be the benefit  
8   of the other investors?

9           A    I would disagree with that  
10   statement.  I think, in part, the reason why  
11   it is taking so long to negotiate is because  
12   it is a complicated issue.  The intention of  
13   that trust agreement is to maximize the  
14   value, maximize the recovery.  To the extent  
15   that the trust was going to sell in any  
16   one day 21 percent of the company, that would  
17   have a significant impact on share price.  
18   Providing the market with some stability as  
19   to when and how those shares will be  
20   disposed --

21          Q    Uh-huh.

22          A    -- helps support a better stock  
23   value, and therefore, a higher recovery for  
24   victims.

25          Q    Given all these requirements that  
26   may be in this trust, do you really feel that  
27   a company that burned down your home, that  
28   affected the people who are in your

1 community, having them own the stock, and  
2 then precluding them from selling the stock  
3 of the company who burned their house down --  
4 does that strike you as a bit unfair?

5 A I don't agree with the  
6 characterization, and I also don't agree that  
7 that's the underlying intent. The victims  
8 themselves will not hold the stock. The  
9 stock is being held by a trust that is trying  
10 to maximize recovery, and will sell that  
11 stock over time so that victims can receive  
12 cash in order to help rebuild for losses  
13 they've incurred.

14 Q So -- but, it's a victim trust.  
15 Right? So it's the victims'. It's their  
16 trust. Right?

17 A It's set up to maximize recovery  
18 for the victims, yes.

19 Q Given this large shareholder  
20 class -- and I want to understand the rights  
21 of that shareholder class.

22 Will they be able to vote based on  
23 their 21 percent?

24 A That's an element that can -- that  
25 is continuing to be discussed. The  
26 underlying stock that will be held will have  
27 the same rights as all other stock issued by  
28 PG&E. It will be common stock of PG&E

1 Corporation.

2 Q So they will be able to vote as a  
3 21 percent class?

4 A Subject to potential capital  
5 markets limitations; but, yes.

6 ALJ COOKE: Two minutes, Mr. Abrams.

7 MR. ABRAMS: Thank you.

8 Q What was the settlement associated  
9 with the Tubbs Fire, the dollar value?

10 A It was a confidential settlement.

11 Q So if I'm a victim of the fires,  
12 and I'm being asked to vote on a plan for my  
13 financial future, I don't know the settlement  
14 associated with the Tubbs Fire, don't know  
15 the value of the shares, those are unknown  
16 variables for the victims. Is that correct?

17 A The value of the shares will be  
18 known within the fact that we currently have  
19 a traded stock price. The settlement of  
20 Tubbs is a confidential settlement.

21 Q The degree to which they can  
22 understand what that means for cash in their  
23 wallet is an unknown. Is that correct?

24 A I believe that the plaintiffs'  
25 attorneys representing the victims have and  
26 will continue to provide perspective on what  
27 that means for cash in the hands of -- of the  
28 victims, yes.

1           Q    When you say, "continue to provide  
2 perspective," the TCC RSA precludes them from  
3 providing that perspective to victims. So  
4 who are they providing that perspective to?

5           A    They provide it to their clients on  
6 the decision to vote for the plan or not.

7           Q    How can they advise their clients,  
8 given the TCC RSA precludes them from doing  
9 so?

10          A    I don't think it precludes  
11 discussing the terms of the plan of  
12 reorganization and, in the opinion of their  
13 attorney, why they should or shouldn't vote  
14 for the plan itself.

15          Q    That's an interesting opinion,  
16 given the clauses in the TCC RSA, but I'll  
17 leave that there.

18                   After all that we've -- I guess  
19 "discussed" is the wrong word.

20                   After all that we've been  
21 mentioning to date, I'd like you to think  
22 about this and answer this question, if you  
23 would, as a neighbor, as someone who would  
24 want to provide advice to their neighbor.

25                   Is this fair?

26          A    I believe it is.

27          MR. ABRAMS: That's all.

28          ALJ COOKE: Thank you, Mr. Abrams.

1 Mr. Finkelstein?

2 MR. FINKELSTEIN: Thank you, your  
3 Honor.

4 CROSS-EXAMINATION

5 BY MR. FINKELSTEIN:

6 Q Good morning, Mr. Wells. I'm Bob  
7 Finkelstein representing TURN.

8 A question that came to mind as  
9 Mr. Abrams was asking you questions, the TCC  
10 RSA, at the time that was negotiated, it's  
11 correct, is it not, that the TCC was not  
12 sponsoring its own proposed plan of  
13 reorganization?

14 A Prior to the sign -- the current  
15 TCC RSA, the TCC and certain ad hoc note --  
16 noteholders were sponsoring a separate plan  
17 of reorganization.

18 Q Okay. Thank you. Let me get you  
19 to -- well, first of all, do you have before  
20 you what's been marked as TURN-X-5 and  
21 TURN-X-6, which are two cross-examination  
22 exhibits?

23 Your Honor, I provided you with  
24 copies of these earlier, and we had sent them  
25 to the service list via email at some point  
26 in the last week.

27 A I have them.

28 ALJ COOKE: Thank you.

1 BY MR. FINKELSTEIN:

2 Q Do you recognize -- well, let me  
3 start with TURN-X-5.

4 Do you recognize this as a PG&E  
5 response to a TURN data request?

6 A Yes, I do.

7 Q And then turning to what's been  
8 marked as TURN-X-6, do you recognize this  
9 as -- the first few pages are the data  
10 request itself from EPUC, followed by --  
11 starting at page 9 of 19, as it's designated  
12 in the bottom right-hand corner, there's the  
13 start of PG&E's response to that data  
14 request?

15 A I see that, yes.

16 Q Yeah. And then it continues on  
17 with a response to a TURN data request  
18 starting at page 16 of 19 of the document?

19 A I see that, yes.

20 Q Thank you. Let me get you to turn  
21 in your direct testimony in PG&E-1 to  
22 page 2-22. Do you have that?

23 A I'm there, yes.

24 Q And on line 9, there's the  
25 beginning of a paragraph that starts with  
26 "Under PG&E's plan." Do you see that?

27 MR. WEISSMANN: Sorry. What page are  
28 you on?

1 MR. FINKELSTEIN: I'm sorry. Thank  
2 you, Mr. Weissmann.

3 ALJ COOKE: 2-23.

4 MR. FINKELSTEIN: 2-23.

5 MR. WEISSMANN: 23.

6 THE WITNESS: Yes, I see that.

7 BY MR. FINKELSTEIN:

8 Q Yeah. Let me make sure I can get  
9 my bearings when I read the transcript.

10 So on page 2-23, starting at  
11 line 9, do you see the paragraph that begins  
12 "Under PG&E's plan"?

13 A Yes.

14 Q Okay. And the first sentence of  
15 that paragraph describes PG&E's expectation  
16 of achieving investment grade ratings upon  
17 emergence. Do you see that?

18 A That's right.

19 Q And that's sort of a -- a snapshot  
20 at the time that the plan has been confirmed  
21 PG&E has pursued and successfully obtained  
22 the -- the financing, and at that moment, it  
23 will have achieved investment grade ratings.  
24 Is that correct?

25 A For the secured bonds the company  
26 intends to issue.

27 Q And at this point, PG&E is not  
28 intending to issue any unsecured bonds, is

1     it?

2             A     That's correct.

3             Q     And then the sentence that follows,  
4     beginning on line 10, describes a clear path  
5     towards further improving its credit ratings.  
6     Do you see that?

7             A     I do.

8             Q     So for PG&E, it's not just a matter  
9     of the credit ratings and its financial  
10    health at the moment of emergence, but on an  
11    ongoing basis thereafter?

12            A     That's correct.

13            Q     Okay. Let me get you to turn, I  
14    hope, to page 2-15, still in PG&E-1, and it's  
15    the material that starts on line 18; again,  
16    the paragraph starting, "Under PG&E's plan."  
17    Do you see that?

18            A     I do.

19            Q     So as I understand your testimony  
20    here, there is no doubt that the \$6 billion  
21    of temporary utility debt is going to be used  
22    to pay wildfire claims at exit. Is that  
23    correct?

24            A     That is correct.

25            Q     And you go on to say on line 19 to  
26    20, "Therefore, that debt will be the  
27    financial responsibility of shareholders, not  
28    customers"?

1           A     That is correct.

2           Q     And the "therefore" is because it's  
3     financing wildfire claims?

4           A     The "therefore" is because it's  
5     debt that does not directly finance the  
6     company's rate base, that it goes to  
7     financing wildfire claims, and so there's the  
8     obligation and responsibility of shareholders  
9     to pay.

10          Q     And so while it is temporary  
11     utility debt, as you're describing it here,  
12     it would be solely the responsibility of  
13     shareholders. Is that a fair statement?

14          A     It would be secured debt of the  
15     utility. The obligation to pay the  
16     associated debt service would be that of  
17     shareholders.

18          Q     Well, not to put too fine a point  
19     on it, if shareholders aren't paying it --  
20     the financial cost of the debt, nobody's  
21     paying it. Is that a fair statement?

22          A     It's a fair statement, but I think  
23     it mischaracterizes it. I think what's  
24     important to look at is not --

25          MR. FINKELSTEIN: Your Honor, I'm going  
26     to ask that we not -- we save this for  
27     redirect, given the time constraints.

28          ALJ COOKE: I agree.

1 MR. FINKELSTEIN: Thank you.

2 Q Well, let me ask it this way,  
3 Mr. Wells.

4 If the utility were to default on  
5 the temporary utility debt, the debtholders'  
6 recourse would be against the utility, not  
7 PG&E's ratepayers. Is that a fair statement?

8 A That's correct.

9 Q And then on line 20, you describe  
10 the securitization that's been a topic  
11 earlier, and describe also that  
12 securitization as being rate neutral. Do you  
13 see that?

14 A I see that, yes.

15 Q And then this -- there is a direct  
16 linkage, is there not, between that  
17 securitization that you're describing and the  
18 temporary utility debt?

19 A Yes.

20 Q Once the temporary -- and -- and  
21 the proceeds of the securitization would be  
22 used to retire the temporary utility debt.  
23 Is that correct?

24 A That's correct.

25 Q And once the temporary utility debt  
26 is retired, it's fair to understand that  
27 shareholders are no longer obligated for its  
28 repayment or any financing costs associated

1 with that temporary utility debt?

2 A Yes. It's retired.

3 Q And from that point forward, the  
4 wildfire costs that had been the subject of  
5 the temporary utility debt would now be the  
6 subject of the securitization transaction?

7 A Yes.

8 Q And as you're contemplating it  
9 under the securitization, the costs would be  
10 collected from ratepayers through a dedicated  
11 rate component?

12 A That is how we're currently  
13 contemplating it.

14 Q And would you agree with the  
15 characterization that the dedicated rate  
16 component is structured in a way so as to be  
17 bankruptcy-proof for any future bankruptcies?

18 A That is the intent.

19 Q And then at lines 24 through 27 of  
20 2-15 of your direct testimony, you describe  
21 how PG&E intends to use certain tax benefits  
22 and other credits to provide rate reductions.  
23 Do you see that?

24 A I do.

25 Q Is it PG&E's intention to structure  
26 those benefits in a way so they would also be  
27 bankruptcy-proof in terms of any future  
28 bankruptcy?

1           A     We're currently finalizing that  
2     application. Our intention, though, is to  
3     put forward an application that would be  
4     customer protective. How it's specifically  
5     structured, we're still working through  
6     those -- those details.

7           ALJ COOKE: I have a question related  
8     to this.

9                     When -- when you responded to  
10    Mr. Finkelstein's question and the term  
11    bankruptcy-proof, what does that mean to you?

12           THE WITNESS: That is a special purpose  
13    entity that is outside of the legal entity  
14    of -- of PG&E, that since it has a dedicated  
15    rate component, legally or functionally it  
16    would be separate from the utility itself.

17           ALJ COOKE: And if PG&E were granted  
18    the securitization that it will be seeking at  
19    some point in the future, and PG&E declared  
20    bankruptcy again, would ratepayers still be  
21    responsible for paying the non-bypassable  
22    charge, as contemplated?

23           THE WITNESS: As contemplated,  
24    currently, yes, but that's why we're still  
25    working through the details of the customer  
26    protection for the offsetting credits.

27           ALJ COOKE: Thank you.

28           MR. FINKELSTEIN: Thank you, your

1 Honor.

2 Q Mr. Wells, let me get you to now  
3 turn to what I understand has been marked as  
4 PG&E-8, which I think were the  
5 clarifications.

6 A I have that.

7 Q I'd like to get you to turn to  
8 page 3, and at the start, you have heading  
9 two, Recovery of Wildfire Claims Costs. Do  
10 you see that?

11 A Yes.

12 Q And the last sentence of this  
13 paragraph states: "If the Commission  
14 approves PG&E's proposed securitization, PG&E  
15 will not seek any other recovery of 2017 or  
16 2018 wildfire claims costs." Do you see  
17 that?

18 A That's correct.

19 Q And is it fair to understand "seek  
20 any other recovery" meaning seek any other  
21 rate recovery?

22 A That's correct.

23 Q Is it reasonable to interpret this  
24 sentence as at least implying that if the  
25 Commission does not approve the  
26 securitization, PG&E may seek rate recovery  
27 of 2017/2018 wildfire claims costs?

28 A That is correct.

1           Q    Prior to submitting this  
2 clarification document on Monday -- I'm  
3 sorry, maybe Tuesday this week, do you know,  
4 had -- had PG&E ever taken this position in  
5 public?

6           A    Not to my recollection, which is  
7 why we wanted to clarify it for the record  
8 here.

9           Q    But, is it something that had been  
10 understood within the company at the time  
11 that you served the testimony January 31st?

12          A    Yes.

13          ALJ COOKE: Mr. Wells, could you point  
14 me to the place in your testimony where the  
15 fires covered are listed that are part of  
16 that 2017 and 2018 fires?

17          THE WITNESS: Apologies. What  
18 specifically are you --

19          ALJ COOKE: Sorry. On page 3 --

20          THE WITNESS: Uh-huh.

21          ALJ COOKE: -- of Exhibit PG&E-8 where  
22 Mr. Finkelstein was referring you to, PG&E's  
23 plan does not address rate recovery of 2017  
24 and 2018 wildfire claims and costs, is there  
25 a list somewhere in your testimony that the  
26 specific fire events for 2017 and 2018 are  
27 identified?

28          THE WITNESS: If I could have, just

1 very quickly --

2 ALJ COOKE: Let's be off the record.

3 (Off the record.)

4 ALJ COOKE: Let's be back on the  
5 record.

6 THE WITNESS: On page 2-16 of my  
7 original testimony there is a table,  
8 Table 2.3, Uses. We have not broken it out.  
9 But, the fire claims at the top of that  
10 table, the 24.15 billion plus, as footnoted,  
11 the 1.35 billion in deferred payments, that's  
12 the total fire claims that is referenced  
13 in -- on page 3 of the clarification  
14 testimony. We don't have a more granular  
15 breakdown of the '17 and '18 fires.

16 MR. WEISSMANN: May I interject?

17 ALJ COOKE: Mr. Weissmann.

18 MR. WEISSMANN: In the plan of  
19 reorganization which has been filed with the  
20 Commission, those fires are listed.

21 ALJ COOKE: Okay.

22 MR. WEISSMANN: I could give you a  
23 particular page, if that would be helpful.

24 ALJ COOKE: Thank you. Why don't we do  
25 that after lunch?

26 MR. WEISSMANN: Thank you.

27 MR. FINKELSTEIN: Your Honor, is it  
28 back to me?

1 ALJ COOKE: Yes. Sorry.

2 MR. FINKELSTEIN: Thank you.

3 Q Mr. Wells, let me get you to turn  
4 in your direct testimony, PG&E-1, page 2-22,  
5 line -- it's the sentence that starts on line  
6 21. Do you see that?

7 A I do.

8 Q And you see that it states: "PG&E  
9 is not requesting that the wildfire claims be  
10 recovered from customers, and those amounts  
11 would ultimately be paid by shareholders,  
12 even if initially financed with debt in whole  
13 or in part." Do you see that?

14 A I do.

15 Q Would you agree that that's no  
16 longer true, given PG&E's position taken in  
17 the clarification that if it does not obtain  
18 securitization, it may seek rate recovery of  
19 the costs of those claims?

20 A No, not exactly. We haven't taken  
21 a position one way or the other if  
22 securitization is denied. We're withholding  
23 that evaluation.

24 Q But, you are holding on to the  
25 possibility that you might seek rate  
26 recovery, should securitization be denied?

27 A We are currently, as part of this  
28 application, not seeking recovery for those

1 claims costs from customers.

2 Q So based on this app- -- based on  
3 this investigation and PG&E's testimony  
4 submitted, to date, and the clarifications  
5 and things of that nature, the Commission can  
6 conclude safely that PG&E is not at this time  
7 seeking rate recovery for 2017 and 2018  
8 wildfire costs. Is that correct? I'm sorry,  
9 wildfire claims costs. Is that correct?

10 A As part of this plan, we are not  
11 seeking recovery for 2017, 2018 wildfires  
12 claims costs.

13 Q But, at some point going forward  
14 that may change, and PG&E could then seek  
15 rate recovery of claims costs associated with  
16 the 2017 and 2018 wildfires?

17 A That's correct.

18 Q And Mr. Wells, just for  
19 clarification, we keep talking about 2017 and  
20 2018 wildfires. Does -- does that figure  
21 also include costs associated with the 2015  
22 Butte, B-u-t-t-e, Fire?

23 A It does include a little bit  
24 related to the Butte Fire in 2015.

25 Q And when you say, "a little bit,"  
26 do you have order of magnitude what a little  
27 bit is in this context?

28 A A few hundred million.

1           Q    And for the Butte wildfire, if you  
2           know, would that be the amount of wildfire  
3           claims costs that exceeded the available  
4           liability insurance proceeds?

5           A    We didn't --

6           Q    If you know.

7           A    The agreement wasn't structured in  
8           a way to resolve each of those individual  
9           fires. It was resolving the collection of  
10          fires. So it -- I don't have the ability to  
11          answer that directly.

12          Q    And could you hopefully very  
13          briefly describe how 2019 wildfire claims  
14          costs are treated in your bankruptcy plan,  
15          your plan of reorganization?

16          A    They're currently not addressed  
17          here.

18          Q    So those -- those claims -- it's  
19          correct to understand those claims would not  
20          be discharged if your proposed plan of  
21          reorganization gets confirmed?

22          A    Currently, we don't know the cause  
23          and origin or -- of the 2019 fires, so we are  
24          not proposing any payment of claims as part  
25          of this plan of reorganization.

26          Q    But, you are, are you not,  
27          proposing payment of claims associated with  
28          the Tubbs Fire?

1           A     Sorry. I thought you said, "2019."

2           Q     I'm sorry. I'm switching now from  
3 your previous response to the treatment of  
4 the Tubbs Fire under the proposed plan of  
5 reorganization.

6                     Does the proposed plan of  
7 reorganization include costs of claims  
8 associated with the Tubbs Fire?

9           A     No.

10          Q     Okay. Let me get you to turn to  
11 what's been marked as PG&E-13, which is a  
12 document that was financial projections.

13          A     I have that document.

14          Q     Well, I don't, so hold on a second,  
15 Mr. Wells.

16          ALJ COOKE: Let's be off the record.

17                     (Off the record.)

18          ALJ COOKE: Back on the record.

19 BY MR. FINKELSTEIN:

20          Q     So Mr. Wells, PG&E-13, the first  
21 page of text simply has the heading "Exhibit  
22 'B,' Financial Projections." Do you see  
23 that?

24          A     I see that.

25          Q     Can you briefly describe what this  
26 document is that -- there are financial  
27 projections for what purpose?

28          A     Under the bankruptcy court, as part

1 of the required disclosures statement that is  
2 used to evaluate and vote on the plan of  
3 reorganization, the company's required to put  
4 together financial projections supporting its  
5 ability to maintain financial health post  
6 emergence. This document addresses that.

7 Q And in -- this document was issued  
8 on February 18th of this year. Is that  
9 correct?

10 A I believe that's the -- the case.

11 Q On page 5 of this document, there  
12 is several bullet points toward the top of  
13 the page. Do you see that?

14 A I do.

15 Q In the last bullet point before the  
16 heading "Financing Considerations," it starts  
17 off "Wildfires OII." Do you see that?

18 A Yes.

19 Q And the last sentence states: "The  
20 consolidated financial projections assume  
21 that these costs will not be recovered." Do  
22 you see that?

23 A I do.

24 Q And when you -- when PG&E says,  
25 "will not be recovered" in this context, is  
26 it will not be recovered in rates?

27 A That's correct.

28 Q And then on page 6 of the same

1 document, Mr. Wells, the bullet -- second to  
2 the last bullet point on this page about  
3 restoring common dividends, do you see this?

4 A I do.

5 Q And it seems to be tied to  
6 achieving a certain equity ratio, and then  
7 you use the phrase -- or PG&E uses the phrase  
8 "on a regulatory basis." Do you see that?

9 A I do.

10 Q In this context, does "on a  
11 regulatory basis" mean with the various  
12 adjustments that you've described in your  
13 direct testimony here?

14 A That is correct.

15 Q Are there any adjustments being  
16 made to the calculation of the equity ratio  
17 other than the ones that you've described in  
18 your testimony here, to your knowledge?

19 A Not that I'm aware of.

20 Q Let me get you to turn, please, to  
21 what's been marked as PG&E-12. No. I'm  
22 sorry, still on PG&E-13, the consolidated --  
23 the financial projections document in  
24 PG&E-13.

25 A Uh-huh.

26 Q On page 9 of that document, there's  
27 a consolidated cash flow table?

28 A Yes.

1           Q    I'm sorry. The first line of the  
2   table itself says, "Cash Flow Statement." Do  
3   you see that?

4           A    I do.

5           Q    And then the bottom of the first  
6   section has a net cash from operations  
7   figure. Is that correct? ]

8           A    Yes.

9           Q    And it reflects, if I'm reading  
10   correctly, an increase from \$5.8 billion in  
11   2022 to approximately \$7.9 billion in 2024?

12          A    Yes.

13          Q    Now let me get you to turn, please,  
14   to what has been marked as PG&E-12. And that  
15   is a set of slides, the first page of which  
16   says, PG&E Business Outlook. Do you have  
17   that?

18          A    I have that.

19          Q    Let me get you to turn to Slide 34  
20   of this document. Do you have that?

21          A    I have it.

22          Q    At the very top of the page it  
23   says, Sustainable Financials, is part of the  
24   heading. Do you see that?

25          A    Yes.

26          Q    So in the left-hand column there is  
27   what looks to be a label of sorts of noncore  
28   earnings factors. Do you see that?

1           A     I do.

2           Q     And then there are, appears to me,  
3     to be five listed here on this slide. Is  
4     that the correct way to interpret this slide?

5           A     Yes.

6           Q     Just in general, what are the  
7     noncore earning factors trying to identify in  
8     this context?

9           A     These are transactions that are  
10    flowing through our financial projects that  
11    we don't think are reflective of the ongoing  
12    earnings power of the company. We are trying  
13    to highlight them separately for investors.

14          Q     In each of the five cases you  
15    listed here, five examples you listed here,  
16    are they costs that the utility anticipates  
17    incurring sort of on a one-affiliate basis,  
18    and doesn't expect to reflect what costs the  
19    utility will incur on a going-forward basis?

20          A     That is basically -- yes.

21          Q     The next page is Slide 35 of what  
22    has been marked as PG&E-12. Do you have  
23    that?

24          A     I have it.

25          Q     And the title here is Cost Savings  
26    Areas of Focus; is that correct?

27          A     Yes.

28          Q     Am I correct in understanding --

1 well, it says it at the very top, identify an  
2 average of \$1 billion per year in operational  
3 costs through 2025. Do you see that?

4 A I do.

5 Q That is average \$1 billion per year  
6 that PG&E expects to cut from operational  
7 costs?

8 A That are reflected in our operating  
9 plan, yes.

10 Q And then the next sentence says  
11 that it will moderate -- such savings would  
12 moderate the expected increase on customer  
13 bills to support infrastructure investment.  
14 Do you see that?

15 A That's correct.

16 Q And that increases on the bills,  
17 separate and apart of any treatment of  
18 wildfire claims costs. These are the costs  
19 of infrastructure for the Wildfire Mitigation  
20 Plan, things that natural?

21 A That is correct.

22 Q Would you agree with me that the  
23 savings would only serve that purpose to the  
24 extent they show up in the authorized revenue  
25 requirement?

26 A Not necessarily.

27 Q Until they show up in the  
28 authorized revenue requirement, how do they

1 moderate the expected increase on customer  
2 bills?

3 A In some cases this is -- avoids  
4 costs that would have otherwise flowed into  
5 the authorized revenue requirement.

6 Q So where the revenue requirement is  
7 set on a recorded cost basis, you are  
8 suggesting that there would be a lower amount  
9 of recorded costs that PG&E would ultimately  
10 seek rate recovery of; is that correct?

11 A May I briefly expand?

12 Q If it is real brief, Mr. Wells.

13 A The time we put together our rate  
14 cases, we have seen additional costs come  
15 into our forecast for things like the passage  
16 of Senate Bill 247. We want to minimize the  
17 impact of the -- any way, we've seen cost  
18 increases that were otherwise eligible to  
19 track in either memorandum accounts or  
20 balancing accounts to seek recovery at a  
21 later date. These cost savings are intended  
22 to execute that work more efficiently so we  
23 can reduce what would be that forecasted  
24 impact on future rates.

25 Q To your knowledge, as you sit here  
26 today, would these cost savings be entirely  
27 in programs that are subject to rate recovery  
28 on a recorded cost basis, or would any of

1     them be in programs that are subject to rate  
2     recovery on a forecast basis?

3             A     Some of them are, both.

4             Q     Would you agree with me that to the  
5     extent they are for programs that are  
6     recovered on a forecast basis, that cost  
7     savings, until there is an adjustment in the  
8     revenue requirement, flow to the utility  
9     rather than to its ratepayers?

10            A     Yes.

11            Q     Let me get you to turn back to what  
12     has been marked as PG&E-13, which is the  
13     financial projections document we were  
14     talking about a second ago.

15            A     I have it.

16            Q     The very last page.

17            A     Yes.

18            Q     So on this table, the net cash from  
19     operations that is listed here, would these  
20     figures reflect the cost savings we were just  
21     talking about a second ago from attachment --  
22     I'm sorry, from what has been marked as  
23     PG&E-12?

24            A     They do.

25            Q     Then, I'm sorry to keep asking you  
26     to bounce back and forth, Mr. Wells, back to  
27     Exhibit 12, if you could.

28            A     I've got it.

1 Q And Slide 29.

2 A I'm there.

3 Q This was -- I think Ms. Kelly asked  
4 you some questions about the PG&E forecast  
5 for rate case growth of 8 percent per year.  
6 Do you recall those questions?

7 A I do.

8 Q For these historical figures that  
9 are shown in the first column on this graph,  
10 I'm sorry, let me ask for both. Is this just  
11 electric operations or does it include all  
12 operations?

13 A All operations.

14 Q Okay. For the historical figures,  
15 would it include disallowed capital  
16 expenditures? Are those excluded from this?

17 A That would be excluded from this.

18 Q Let me ask you -- let me ask you to  
19 look at what has been marked as TURN-X-5,  
20 which is Response to TURN Data Request,  
21 Question 5. Do you see that?

22 A I'm turning to it. I have it.

23 Q And this was a data request that  
24 asked PG&E to provide its best current  
25 estimate of the cost of financing and  
26 financial advisor fees. Do you see that? It  
27 is on the second page of text. It is  
28 designated page 4 in the bottom right-hand

1 corner.

2 A Which question is that?

3 Q I'm sorry, it is Question 5.

4 A I'm there.

5 Q And then part of what PG&E provided  
6 in response is this table that is attached as  
7 the last page of the document; is that  
8 correct?

9 A That is correct.

10 Q And this is, by the heading, a  
11 Summary of Professional Fees and Expenses.  
12 Do you see that?

13 A I do.

14 Q And it states at the top that it is  
15 a summary as of January 29th, 2020. Do you  
16 see that?

17 A I do.

18 Q Would you agree with me that for a  
19 number of these firms that are listed here,  
20 their submissions for compensation or  
21 reimbursement had not been kept "current,"  
22 for a lack of a more precise term?

23 A It is possible.

24 Q So the first one is Kravath,  
25 K-r-a-v-a-t-h, Swaine, S-w-a-i-n-e. Do you  
26 see that firm?

27 A Yes.

28 Q That would be one of the outside

1 attorney firms that PG&E holding company is  
2 relying on?

3 A That is correct, yes.

4 Q And it shows that the figure that  
5 is listed here was only for submissions  
6 through September 30th, 2019?

7 A Yes.

8 Q Okay. So it would be reasonable to  
9 conclude that the actual amounts of  
10 professional fees through January 29th is  
11 likely to be somewhat higher than the figures  
12 that are listed on this table?

13 A That is correct.

14 Q And then for financing fees and  
15 such, is it correct to understand that those  
16 fees will, for the most part, be incurred  
17 later in the process, closer to when PG&E  
18 emerges from bankruptcy?

19 A A large percentage of those fees  
20 have been incurred, have been set, not paid.  
21 As part of the noteholder RSA, the remainder  
22 will be incurred as part of the exit.

23 Q So when you say "set," if the  
24 Commission were to ask you what is the  
25 current amount that PG&E has paid for such  
26 financing fees, if they've been set, does  
27 that necessarily mean they've been paid to  
28 this point or they will be paid at some point

1 in the future?

2 A They will be paid at exit, but we  
3 know the amount.

4 Q So then it sounds to me, Mr. Wells,  
5 there are three categories. There is a  
6 category that have been incurred and paid,  
7 there is a category that have been set but  
8 not yet paid and then there is a third  
9 category that has not yet been set and not  
10 yet paid. Is that a fair characterization?

11 A That is correct.

12 Q Okay. Is it fair to understand  
13 that the majority of the financing-related  
14 costs would fall into the latter two  
15 categories that is either set but not yet  
16 paid or not yet set and not yet paid?

17 A That is correct.

18 Q Then, as I understand PG&E's  
19 position, it is that it is only seeking  
20 recovery of -- and I apologize for not having  
21 the figure at hand, Mr. Wells -- something in  
22 the range of \$150 million of financing fees?

23 A Just a little bit more than that,  
24 yes, 154 million.

25 Q Thank you.

26 Is PG&E committing at this time  
27 that it is -- that is it. It is for  
28 financing fees, it would be \$154 million and

1 absolutely nothing else no matter what?

2 A No. That is our current estimate.

3 Q Well, for the fees that recovered  
4 by the current estimate, whatever the final  
5 amount turns out to be for that subset of  
6 fees, is PG&E committing now that it is only  
7 that subset, fees that have been identified  
8 as now being \$154 million, whatever that  
9 figure proves to be, that would be the  
10 entirety of what PG&E ever seeks to recover  
11 from ratepayers for financing costs?

12 A We are seeking to clarify that we  
13 intend to recover those categories of  
14 financing costs. Our current estimate is 154  
15 million.

16 Q And that category of financing  
17 costs, as I understand it, are the financing  
18 costs associated with a subset of the total  
19 financing transactions that PG&E contemplates  
20 for its plan of reorganization?

21 A The subset related to costs that  
22 are used to fund the company's rate base,  
23 yes. It is a subset of the total financing.

24 Q Okay. Other than that subset, is  
25 PG&E taking the position now for all the  
26 other categories of financing it is never  
27 going to seek rate recovery for those costs?

28 A We are not -- yes. We are trying

1 to clarify that we are not intending to seek  
2 rate recovery for the professional fees, the  
3 financing costs that are not associated with  
4 funding rate base.

5 Q And your use of the term  
6 "intending" gives me the heebie-jeebies, to  
7 use a technical term, Mr. Wells. Can the  
8 Commission take that to the bank and say the  
9 utility is never going to seek it? Or is it  
10 based on what PG&E knows today it doesn't  
11 intend to seek it, or things can change and  
12 we might seek it later?

13 A We are not seeking recovery for  
14 these costs.

15 Q At this time as part of the  
16 material that you've submitted in this  
17 investigation; is that correct?

18 A It would be easier if we went line  
19 by line. We are not in -- we are not going  
20 to seek recovery for the professional costs  
21 associated with the bankruptcy, except for  
22 the professional costs that were associated  
23 with the RSA. We are not going to seek  
24 recovery now or in the future for the  
25 financing costs associated with the financing  
26 that does not fund rate base. We do intend  
27 to seek recovery for the financing costs that  
28 are used to support the funding of rate base.

1           Q    And those are the amounts that  
2   you've been characterizing as being offset by  
3   interest rate savings in your testimony and  
4   other places; is that correct?

5           A    That last category, yes.

6           MR. FINKELSTEIN:  Your Honor, can I  
7   have one second off the record?

8           ALJ COOKE:  Off the record.

9                (Off the record.)

10          ALJ COOKE:  Back on the record.

11          MR. FINKELSTEIN:  Mr. Wells, that is  
12   all I have.  Thank you for your patience.  
13   Thank you, your Honor.

14          ALJ COOKE:  Thank you.

15                Let's be off the record.

16                (Off the record.)

17          ALJ COOKE:  We will be back on the  
18   record.

19                Mr. Alcantar, proceed.

20                        CROSS-EXAMINATION

21   BY MR. ALCANTAR:

22           Q    Mr. Wells, good afternoon, barely.  
23   My name is Michael Alcantar.  I represent the  
24   Energy Producers and Users Coalition and the  
25   Indicated Shippers in this proceeding.

26                Let me start with exactly who you  
27   work for.  Is it the utility, the  
28   corporation, the holding company corporation,

1 or both?

2 A I work for the corporation.

3 Q Okay. There is, in your  
4 estimation, a direct link, is there not,  
5 between the debt status, if you will, of the  
6 corporation and the utility?

7 A Yes.

8 Q So in that event, if the  
9 corporation were to take on greater debt,  
10 that would have an impact upon the utility's  
11 capacity and rate with respect to other debt?

12 A It could at certain thresholds.

13 Q Okay. I want to go through  
14 hopefully a quick process of chronological  
15 check of where credit ratings were and where  
16 they've come. Is it correct that PG&E's  
17 credit rating progressive declined from A-  
18 rating at the end of 2017 to BBB  
19 through 2018?

20 A That is correct.

21 Q The BBB rating is below investment  
22 grade, as we've established; correct?

23 A BBB is investment grade. It is not  
24 below.

25 Q Okay. When PG&E filed for  
26 bankruptcy in January of 2019, was it at a  
27 BBB rating or lower?

28 A The rating agency evaporated us to

1 sub-investment grade.

2 Q Which was?

3 A I don't recall the specific rating,  
4 but it was below investment grade before we  
5 filed for bankruptcy.

6 Q Below BBB?

7 A Yes.

8 Q Okay. This credit rating drop in  
9 2018 created financial distress for PG&E  
10 during 2018. Is that fair to say?

11 A Apologies. We were downgraded from  
12 investment grade in 2019. We maintained an  
13 investment grade rating throughout 2018. We  
14 experienced the most acute financial changes  
15 after the Camp Fire, late 2018 and early  
16 2019.

17 Q My question is a little more broad.  
18 You were on a stress decline, is what I'm  
19 trying to get to; is that fair?

20 A That is correct.

21 Q You would agree, would you not,  
22 that the 2018 and 2019 credit ratings drop  
23 and financial distress was caused by wildfire  
24 damage claims adverse to PG&E relating to  
25 2017 and 2018 events?

26 A Largely.

27 Q In PG&E's publicly available  
28 announcement to investors at the end of 2018,

1 beginning of 2019, the stated reason for the  
2 January 29th bankruptcy filing was a result  
3 of wildfire damage claims; is that correct?

4 A That is correct.

5 Q Yeah. In the financial markets,  
6 based upon your experience, is it fair to say  
7 that interest rates for utility with a BBB or  
8 lower rating will be higher than the interest  
9 rate for a utility with A- bond rate?

10 A That is right.

11 Q In your historical time horizon of  
12 reviewing credit ratings, and bond ratings in  
13 particular, are you aware of an interest rate  
14 spread reflecting a difference in bond  
15 ratings that did not exist in terms of this  
16 kind of correlation between credit rating and  
17 on ready?

18 A I'm not aware.

19 Q You would agree, would you not,  
20 that PG&E's costs of selling new bonds and  
21 refinancing existing bonds will be at a  
22 higher interest rate if PG&E's bond rating is  
23 a BBB in comparison to a PG&E bond rating of  
24 A-?

25 A Yes.

26 Q I think we've established this, but  
27 I want to make sure, just in this chronology,  
28 in 2017 when PG&E had an A- bond rating, PG&E

1 did not issue secured debt; correct?

2 A That is correct.

3 Q It did issue unsecured debt during  
4 that period; is that also correct?

5 A That is right.

6 Q Is it correct to say, and I'll open  
7 this up to you if you disagree, is it correct  
8 to say that PG&E can only issue secured debt  
9 in an amount limited by the market value of  
10 its property that can be mortgaged?

11 A Generally, yes.

12 Q I would like you to turn with me  
13 briefly to your PG&E-1 testimony, original  
14 testimony, at page 2 dash...

15 A I'm sorry, 2-dash?

16 Q Sorry about that, 2-12. And I'm  
17 focused on lines beginning 15 and extending  
18 through 18, for a couple of reasons. One is  
19 I am very much interested in understanding  
20 your definition, complete definition in as  
21 much detail as possible, of the term "utility  
22 contributions" as it is used at line 17.

23 For example, you just described,  
24 before I started questioning you, utility  
25 contributions associated with bankruptcy  
26 fees. Those will come from shareholders and  
27 not from ratepayers. Those are the kinds of  
28 things I'm interested in making sure I

1 understand your full list of what is and  
2 isn't a utility contribution?

3 A This testimony here relates  
4 specifically to the payment to the state's  
5 wildfire fund. So it is not trying to refer  
6 any broader to determine contribution. It is  
7 our payment or contribution to the AB 1054  
8 wildfire fund.

9 Q There also embedded in this passage  
10 is a reflection of your understanding of the  
11 obligations of AB 1054; is that fair?

12 A That is fair.

13 Q You've studied that carefully, have  
14 you not?

15 A I have.

16 Q As a ratepayer -- are you a  
17 ratepayer of PG&E?

18 A I am.

19 Q I am as well. As a ratepayer of  
20 PG&E, you would agree, would you not, that  
21 every ratepayer has an acute interest in  
22 preserving the protections that they thought  
23 they had under state law with respect to AB  
24 1054?

25 A I'm not sure I understand the  
26 question.

27 Q There are protections in AB 1054  
28 that accrue to ratepayers in terms of the

1 amount they might bear from the bankruptcy or  
2 from the wildfires; correct?

3 A I understand that limitation, yes.

4 Q And there is an interest in these  
5 ratepayers knowing with clarity and with as  
6 much specificity as possible exactly what  
7 those limitations are. Is that a fair  
8 statement?

9 A I think that is, yes.

10 Q There is also an interest in this  
11 Commission who has an obligation to protect  
12 ratepayers and to implement effectively AB  
13 1054 protections. Would you agree with that  
14 statement?

15 A Yes, I do.

16 Q So what is vitally important to me,  
17 and I'll try to cut to the chase as best we  
18 can to see if we can cut some of these out,  
19 is your plan is a plan. It has intentions.  
20 It has hopes. It has some expectations.  
21 There are places where it is hard to find, as  
22 I think you were here for Mr. Johnson's  
23 testimony, the term commitments and  
24 assurances and enforceability, if you will,  
25 process or triggers that this Commission  
26 could employ in a timely way to ensure those  
27 protections under 1054 are both understood  
28 and timely enforced. Is that a fair

1     characterization of your description of the  
2     PG&E plan?

3             A     Well, we are seeking to clarify our  
4     intentions under this plan.  Because we  
5     understand the point that you raise, which is  
6     why we filed that supplemental testimony this  
7     week.

8             Q     And that is PG&E-8, you are  
9     referring to the supplemental testimony.  I'm  
10    sorry, PG&E-7 is your supplemental testimony.

11            In PG&E-8, if I can get you to  
12    refer to that, there are several paragraphs  
13    there that I think your CEO passed along to  
14    you as something you would be responsible  
15    for.  And your counsel was careful with me to  
16    make sure that I didn't exclusively rely on  
17    Mr. Johnson's testimony, but made sure I  
18    asked you these questions.

19            This is your effort to clarify what  
20    is now a different position from what was  
21    filed by PG&E on the 31st of January in terms  
22    of issues associated with wildfire costs, and  
23    fees, and bankruptcy fees, professional fees  
24    and debt-carrying costs incurred that you  
25    will not be seeking recovery from ratepayers;  
26    correct?

27            A     I wouldn't characterize that as a  
28    change of position.  What we are trying to do

1 is provide further clarity, because we  
2 recognize that the original testimony was  
3 unclear in some of these areas.

4 Q Fair point. Okay.

5 Are there standards in the plan to  
6 assure for the Commission that they will have  
7 the opportunity, and for ratepayers, that  
8 they will have the opportunity in advance of  
9 costs being incurred or allocated to them  
10 under your plan that preserve these  
11 protections that we've been alluding to?

12 A That is what we are seeking to  
13 support by providing this clarity.

14 Q But there isn't, as I've seen, and  
15 that is what I'm trying to clarify with you,  
16 there isn't a: Dear Commission, here is the  
17 process questions, process that you should go  
18 through Tier 3 advice letter filings that we  
19 will submit; here are the areas that you  
20 should be sensitive to in terms of what  
21 standards would trigger a  
22 different-than-expected result.

23 A We tried to articulate that. I  
24 think it is -- we've committed to advice  
25 letter process to true-up our cost of debt to  
26 be reflective of savings we've anticipated,  
27 as well as the financing costs that we  
28 forecasted.

1           We have identified the separate  
2           application for securitization, which is not  
3           a component of this plan. But as we  
4           referenced, if unapproved, we will have to  
5           evaluate at that time whether or not the  
6           company will seek going forward from there  
7           any cost recovery related to 2017 and 2018  
8           fires. So what we have tried to do is  
9           clarify each of those points. ]

10           Q    Okay. In the event the Commission  
11           makes different assessments of the baseline  
12           under 1054 -- AB 1054, than your testimony  
13           and the corrections in supplemental testimony  
14           seeks to justify, will your plan be  
15           withdrawn?

16           A    It's hard to speculate as to how  
17           would we address those issues. We've tried  
18           to be very forthcoming but for a plan that on  
19           our basis of our understanding of the  
20           baseline results in a net decrease for  
21           customer rates. Obviously we want to work  
22           with the Commission to incorporate feedback,  
23           but it's hard to speculate until I understand  
24           specifically what that feedback is.

25           Q    There's risk in your plan, is there  
26           not?

27           A    I think there is risk in all  
28           financial projections.

1           Q    Of course. That's exactly fair.  
2           And there's risk for ratepayers if your  
3           projections are wrong, correct?

4           A    That's correct.

5           Q    And if ratepayers sought relief  
6           from a risk that went awry or a projection  
7           that went awry that resulted in harm to them,  
8           they would need to seek recovery through a  
9           Commission process; is that correct, in your  
10          understanding?

11          A    I don't know the procedural  
12          mechanism to seek recovery.

13          Q    Would you expect ratepayers to have  
14          some other action against PG&E directly if  
15          your plan goes awry?

16          A    I want to be responsive. I am  
17          struggling with "plan goes awry." I think we  
18          -- I will acknowledge that plans are a  
19          projection of the future. There is risk to  
20          that, but we have taken a number of steps to  
21          feel confident in this plan.

22          Q    And I want to endorse your  
23          confidence. I want it all to come together.  
24          Unfortunately, we live in a world that  
25          doesn't accept that as reality. So if you  
26          look at a future that bears risk and you're  
27          looking at a Commission that needs to try to  
28          assess that risk and act upon those risks

1 failing to meet standards that are  
2 enforceable and identified, which is as you  
3 know, akin to what the governor seems to be  
4 saying to PG&E as well.

5           So I am trying to explore with you  
6 just what process you see and what guidance  
7 you would suggest for this Commission about  
8 the standards it should be concerned with and  
9 whether or not there are commitments in this  
10 plan that if there's a failure of those  
11 future forecast projections and injuries  
12 result, harm results, what will they do? How  
13 will they act and how will they act in a  
14 timely way? It's a compound question and I'm  
15 sorry, but I'm trying to move along here.

16           A    The basis of the majority of these  
17 financial projections are rate cases that  
18 either have been decided or settled. So we  
19 have a great deal of visibility under these  
20 financial plans. To the extent that adverse  
21 actions were to occur, I think these adverse  
22 actions would likely accrue more to  
23 shareholders than they would customers  
24 because these plans are based again on either  
25 subtle rate bases or decided rate cases.

26           Q    Again, I accept your hope and I  
27 accept your dream. I guess that you're being  
28 asked to speak into the mic. I accept your

1 hope and I accept your optimism. I am really  
2 not challenging that. What I am asking about  
3 is unfortunately plans go awry. That's  
4 really the scenario I am trying to drill down  
5 on.

6 ALJ COOKE: Can you ask a more specific  
7 question? I don't know that he's going to be  
8 able to answer. That is the third time.

9 MR. ALCANTAR: Fair point.

10 ALJ COOKE: And, Mr. Wells, if you tip  
11 your microphone up a little it might be  
12 better.

13 THE WITNESS: Thank you.

14 BY MR. ALCANTAR:

15 Q There was, as you have alluded to,  
16 a change or a correction or an updating of  
17 views regarding the pass-through of costs to  
18 ratepayers concerning wildfires in 2017 and  
19 '18 and part of 2015, as well as the  
20 professional fees associated with bankruptcy.  
21 What was it that caused you to change your  
22 earlier-expressed position that PG&E was not  
23 taking a position on the treatment of those  
24 costs?

25 A It was an understanding in the lack  
26 of clarity how important timeliness of this  
27 entire proceeding is in wanting to be as  
28 clear as possible with arguments in this

1 proceeding.

2 Q Were there principles involved in  
3 terms of your interpretation of 1054?

4 A Yes.

5 Q And what were the changes in those  
6 principles that might be instructed to this  
7 Commission about your interpretation?

8 A I don't think there's ever been a  
9 change in principle. Our basic premise with  
10 respect to AB 1054 and the customer's  
11 protection is that that protection addressed  
12 the costs directly associated with this plan  
13 of reorganization. And as a result, that's  
14 why we try to clarify we are incurring  
15 financing costs that we intend to seek  
16 recovery for that will be offset by interest  
17 rate savings and that the other professional  
18 services costs, the other financing costs for  
19 non-rate-base-funded debt and equity would be  
20 covered by shareholders.

21 Q Let me step into the assumptions --  
22 the assumption world about the securitized  
23 debt that you're looking forward to making an  
24 application for. And let's assume that those  
25 projections also don't exactly match  
26 expectations, and instead of being a rate  
27 reduction, actually work adversely in terms  
28 of rates for ratepayers.

1           Is there any basis, if that event  
2       would occur, that this Commission should not  
3       assure that PG&E is not issuing any dividends  
4       to any shareholder during that period of  
5       time?

6           A     We intend to offer specificity  
7       around the customer protections in the  
8       upcoming application. As it relates to  
9       restrictions on dividends, I think that that  
10      would complicate what will be a record  
11      capital raise post-emergence. I don't think  
12      that is in stakeholders' interest, customers,  
13      shareholders, wildfire victims, all  
14      shareholders as part of this case.

15          Q     Would you agree that paying off  
16      that debt as quickly as conceivably possible  
17      is in everyone's interests?

18          MR. WEISSMANN: Sorry. What debt are  
19      you referring to?

20          BY MR. ALCANTAR:

21          A     Securitization. Our plan doesn't  
22      require securitization. So, it's hard to  
23      directly answer that question.

24          Q     Yes. I am looking towards the  
25      future you have described for us about --  
26      excuse me -- the securitization plan that is  
27      also coming.

28          A     Yeah.

1           Q    In that plan, I'm exploring is  
2           whether or not -- what are the ratepayer  
3           protection concepts that you're working on  
4           for that?

5           A    Subject to continued changes, we  
6           finalized our application. We have  
7           considered the opportunity at, or general  
8           rate cases, to include a review of the  
9           customer credits to ensure that on the  
10          present value basis those customer credits  
11          still result in a rate-neutral  
12          securitization.

13          Q    Okay. What about a principle that  
14          would -- if you don't like the idea of  
15          withholding dividends, what about a principle  
16          that would require the repayment of that  
17          securitization debt until you have reached a  
18          pre 19 -- pre-2017 A1 credit rating?

19          A    I think any additional restrictions  
20          are going to complicate what is already going  
21          to be a very complicated capital \*rates. I  
22          think it's unfair to look at the credit  
23          rating prior to 2017 because since then it's  
24          not just the company's actions that have  
25          impacted the company's credit ratings, it's  
26          also the qualitative concerns around the  
27          business environment.

28          MR. ALCANTAR: I have nothing further,

1 your Honor. Thank you, Mr. Wells.

2 ALJ COOKE: Thank you.

3 Mr. Miley.

4 CROSS-EXAMINATION

5 BY MR. MILEY:

6 Q Good afternoon, your Honor and  
7 Mr. Wells.

8 My name is Matt Miley with the  
9 Public Advocates Office.

10 A Good afternoon.

11 Q Just a short line of questions for  
12 you today.

13 Do you have access to Chapter 7?  
14 This would be PG&E Chapter 7. That's the  
15 testimony sponsored by John Lowe. Do you  
16 have that in front of you?

17 A I don't have that in front of me.

18 ALJ COOKE: Let's be off the record.

19 (Off the record.)

20 ALJ COOKE: Let's be back on the  
21 record.

22 While we were off the record, we  
23 clarified this is in PG&E-1, Chapter 7,  
24 Mr. John Lowe's testimony. Off the record.

25 (Off the record.)

26 ALJ COOKE: Back on the record.

27 Mr. Miley.

28 BY MR. MILEY:

1           Q   Mr. Wells, if you could please turn  
2   to page 7-15 of PG&E-1?

3           A   I have turned there.

4           Q   Thank you. So for context, this  
5   section what we're looking at is under the  
6   overall heading of Executive Compensation  
7   Structure. So I would like to point you  
8   please, to about two-thirds of the way down  
9   the page, there's a heading titled Long-Term  
10   Incentive Plan. Do you see that?

11          A   I see that.

12          Q   Beginning on line 23, Mr. Lowe's  
13   testimony states:

14               Long-term incentive plan  
15               awards for 2020  
16               post-emergence will consist  
17               entirely of performance  
18               shares that will be awarded  
19               only upon achievement of  
20               the objective performance  
21               metrics described below,  
22               with the proviso that such  
23               awards must be held for at  
24               least three years from the  
25               grant date.

26               There's a footnote there, Footnote  
27   18. That footnote reads:

28               The CEO's compensation

1 structure currently also  
2 includes stock options.

3 Do you see that, Mr. Wells?

4 A I do.

5 Q Mr. Wells, could you please  
6 describe your involvement or contribution, if  
7 any, in developing the CEO stock option  
8 exercise prices, the quantity of stocks, or  
9 the corresponding expiration dates associated  
10 with those shares?

11 A I was not involved in any of that  
12 compensation package.

13 Q Is the compensation package  
14 something that would have come across your  
15 desk or something you would have reviewed at  
16 all before it was presented, regardless of  
17 development?

18 I guess what I'm asking is would  
19 you say that you have any influence over that  
20 structure of the development?

21 A I do not, no, have any influence.

22 MR. MILEY: No further questions.

23 Thank you, Mrs. Wells. Thank you, your  
24 Honor.

25 ALJ COOKE: All right. Thank you.  
26 Let's be off the record.

27 (Off the record.)

28 ALJ COOKE: All right. Let's be back

1 on the record.

2 At this time, Commissioner  
3 Rechtschaffen has some questions. Make sure  
4 your microphone is on.

5 EXAMINATION

6 BY COMMISSIONER RECHTSCHAFFEN:

7 Q Thank you very much. Thank you,  
8 Mr. Wells. Sorry I had a -- was unable to  
9 hear your entire testimony this morning.

10 I want to ask you first a question  
11 that President Batjer asked Mr. Plaster two  
12 days ago and I don't know if you were here  
13 for that or not.

14 A I was not, but I heard.

15 Q And he reserved it for you.

16 A Yes.

17 Q The question is: What happens if  
18 it turns out that PG&E's undercapitalized as  
19 a result of the plan? What are its options  
20 going forward?

21 A We've worked extensively with  
22 financial market participants to ensure we  
23 are putting forward a plan that is not  
24 undercapitalized. To the extent that  
25 concerns are under a capitalizational raise,  
26 it would be our intention to continue to work  
27 with all stakeholders in the case to address  
28 those concerns that we could exit timely.

1           We have got a track record as part  
2           of this bankruptcy to address the  
3           quarter-related issues. If that presented  
4           itself, we would do the same here.

5           Q    Do you have any specifics? Can you  
6           be any more -- any more-detailed about what  
7           other options or mechanisms you might  
8           consider to raise more equity?

9           A    The only reason I'm pausing is to  
10          be more specific, is because I think what we  
11          have put forward a plan that is fully  
12          capitalized. We work extensively with all  
13          capital market participants to develop a plan  
14          where we are actually putting in \$16 billion  
15          of equity contribution, nine upfront, six  
16          over time. To the extent that concerns were  
17          raised, I think we would look at a way to  
18          continue to work with, again, everybody in  
19          the case to find a method to address it. But  
20          until I understand specifically what the  
21          concern is, it's hard for me to be any more  
22          specific as to the action.

23          Q    I understand you think there's  
24          enough there and I will just ask you again if  
25          there's anything more you want to say about  
26          what other mechanisms you might consider?

27          A    We've set up a process with our  
28          equity backstop letter where we are intending

1 to raise the equity through a marketed raise,  
2 as opposed to the backstop agreement. We  
3 could evaluate the opportunity at that point  
4 in time as we undertake that marketed raise,  
5 whether or not there's more equity available,  
6 but, again, I think we feel like this is  
7 sufficiently capitalized.

8 Q I wanted to ask you about  
9 securitization. I have heard some of the  
10 testimony about it. I'm not sure I got all  
11 of it.

12 Your testimony is that  
13 securitization will be rate neutral and in  
14 specific -- specifically you said it will be  
15 -- you will provide credits so that -- I can  
16 show you where it is, but I am just  
17 paraphrasing, so that customers on average  
18 will not bear the associated costs of  
19 securitization charges.

20 What does that mean on average?  
21 What does that mean to ratepayers on average?

22 A We're still in the process of  
23 finalizing the securitization application.  
24 We intend to file that in a few weeks.

25 Currently what we're envisioning is  
26 a securitization that on a present-value  
27 basis customers would be rate neutral. So  
28 the refund -- the refund to the customers of

1 the shareholder NOL that are realized will  
2 likely exceed the associated debt service  
3 cost for the securitization bonds in the  
4 early years. So customers would have a rate  
5 benefit early and as those securitization  
6 bonds expire, on it customers would pay the  
7 outer years' debt service costs so that on a  
8 present-value basis on average, customers are  
9 made whole.

10 Q Is another way of saying that it's  
11 going to be lumpy?

12 A Possibly. But we're as part of the  
13 details of trying to finalize that  
14 application, trying to make it as smooth as  
15 possible.

16 Q But what I understand you to be  
17 saying is it's not neutral to customers on a  
18 yearly basis. Some years customers may  
19 realize the benefit, other years they may  
20 realize the costs?

21 A Over time, yes.

22 Q Okay. And the final question I  
23 have about this and Mr. Johnson testified  
24 about this, President Batjer asked  
25 Mr. Johnson about what happens if  
26 securitization doesn't go forward. I am not  
27 going to ask you that again. But what if it  
28 doesn't go forward, and if it's not

1 ultimately approved, what is the impact on  
2 the key credit metrics that we look at, that  
3 the rating agencies look at, the funds from  
4 operation of debt, what are the metrics if  
5 securitization isn't approved?

6 A So the plan doesn't need  
7 securitization. We think it's in everybody's  
8 interest in all stakeholders' interest. If  
9 it's not approved, funds from operations,  
10 FFO-to-debt would likely be about 200 basis  
11 points lower than what we're projecting here  
12 which assumes securitization is approved.

13 Q And what does that do to your --  
14 where you would end up in the credit ratings?

15 A It wouldn't change the -- so each  
16 of the credit ratings have a band for the  
17 quantitative credit metrics. We would still  
18 squarely be in the band of investment-grade  
19 credit metrics, even if securitization is not  
20 approved.

21 Where we see a challenge with the  
22 credit rating is more on the qualitative  
23 aspects of the plan, not the quantitative,  
24 even without securitization.

25 Q I understand. The same would be  
26 true for debt that EBITDA, you would still be  
27 within the band, even though you might be  
28 lower on the band?

1           A     We would be lower in the band but  
2     within the investment grade ratings, yes.

3           COMMISSIONER RECHTSCHAFFEN:   Thank you  
4     very much.

5                               EXAMINATION

6     BY ALJ COOKE:

7           Q     Okay.  Mr. Wells, for the 7 billion  
8     in anticipated ratepayer securitization  
9     described on page 2-15 of Exhibit PG&E-1,  
10    line 21, is that a subset of the fire claims  
11    shown in Table 2.3 on page 2-16 of Exhibit  
12    PG&E-1?

13          A     I apologize, your Honor.  I was  
14    flipping the pages.

15          Q     First go to page 2-15.

16          A     Yes.

17          Q     Line 21, there's the 7 billion in  
18    anticipated ratepayer securitization?

19          A     Yes.

20          Q     Is that a subset of the fire claims  
21    that are shown in Table 2.3 on the next page?

22          A     Yes.

23          Q     And is that \$7 billion of  
24    anticipated ratepayer securitization  
25    associated with claims for specific fires or  
26    is that just \$7 billion of that total that's  
27    in 2.3 associated with any of those elements?

28          A     We are working through those

1 details. This testimony here is more the  
2 latter. It's 7 billion of the total 24  
3 billion that is presented in this table.

4 Q Okay. On page 2-3 of your  
5 testimony in Exhibit PG&E-1, you state that  
6 PG&E expects to achieve investment-grade  
7 ratings for secured debt upon emergence. Is  
8 there anything within the plan that describes  
9 what would occur if you did not achieve  
10 investment-grade credit rating?

11 A No. We don't. But we put this  
12 statement forward because of the extensive  
13 work that we have done with the rating  
14 agencies in money center banks.

15 Q Okay. And in this application,  
16 you're requesting a large amount of  
17 short-term debt authorization. To your  
18 knowledge, does PG&E recover the debt-related  
19 costs from ratepayers and if so how?

20 A We are asking for two short-term  
21 debt authorizations. One is sort of a very  
22 temporary issue and there's only a small  
23 percentage of that that we are intending to  
24 include in our cost of capital advice filing.  
25 The other short-term debt I know we would  
26 recover from customers -- I am drawing a  
27 blank as to where and how.

28 Q Okay. Counsel, could you provide a

1 follow-up on Monday for that?

2 MR. WEISSMANN: (Affirmative nod.)

3 BY ALJ COOKE:

4 Q On page 2-19 of your testimony in  
5 PG&E-1 --

6 A I am there.

7 Q -- at lines 13 through 16, you talk  
8 about the reduction in interest costs. The  
9 cost of debt, essentially reductions of about  
10 a billion dollars as a result of the  
11 noteholder RSA. Do you see that?

12 A I do.

13 Q It's my understanding that some of  
14 the intervenor testimony estimates the cost  
15 savings around 600 million rather than a  
16 billion. Do you have any comments on the  
17 calculation differences?

18 A The nominal value of the savings is  
19 a little bit more than a billion dollars.  
20 Originally when I put forward this testimony,  
21 I used a debt discount rate because I was  
22 evaluating it through the lens of the  
23 company.

24 Intervenor testimony appropriately  
25 pointed out that from a customer standpoint,  
26 a more appropriate discount rate would be our  
27 weighted cost of capital. So, yes, that  
28 number is -- I think our collection was

1 closer to 700 million, but directionally in  
2 that ballpark.

3 Q So the difference is the intervenor  
4 version or the -- somewhere between the  
5 600-and-700-million dollar calculation is  
6 using weighted cost of capital?

7 A Yes, at the higher discount rate.

8 ALJ COOKE: All right. That concludes  
9 my questions.

10 Do you have any redirect?

11 MR. WEISSMANN: Yes.

12 ALJ COOKE: Are you ready to go?

13 MR. WEISSMANN: Yes.

14 ALJ COOKE: Go forward.

15 REDIRECT EXAMINATION

16 BY MR. WEISSMANN:

17 Q Mr. Wells, you were asked some  
18 questions by Commissioner Rechtschaffen about  
19 the impact of securitization on the company's  
20 credit ratings. So first I just want to  
21 clarify between qualitative and quantitative.

22 On a quantitative side, can you  
23 explain how securitization would affect the  
24 company's quantitative credit metrics as  
25 measured by S&P?

26 A S&P essentially excludes the debts  
27 associated with securitization in the  
28 calculation of FFO-to-debt. So there's a

1 lower essentially denominator and therefore a  
2 higher ratio under the S&P methodology when  
3 securitization is included.

4 Q So all else equal, does that  
5 increase?

6 A All else equal, it increases the  
7 FFO-to-debt.

8 Q And the implication of that for  
9 credit ratings?

10 A It's obviously favorable for credit  
11 ratings to have a higher FFO-to-debt free.

12 Q Let's talk about the qualitative  
13 side, the business risk. How in your  
14 judgment would a Commission decision  
15 approving securitization affect the rating  
16 agency's evaluation of the company's business  
17 risk?

18 A I think it's an important signal.  
19 Let me step back.

20 One of the larger concerns of the  
21 California regulatory environment after the  
22 denial of San Diego Gas & Electric's claim  
23 for wildfire costs as part of the 2007, 2008  
24 fires, created a perception in the financial  
25 community that utilities would likely not be  
26 able to recover costs in the future.

27 I think a securitization that is  
28 approved would offset that previous decision

1 and lead to more optimism around potential  
2 recovery in the future and therefore a better  
3 assessment of the qualitative factors for the  
4 utility credit ratings. ]

5 Q While we are on that topic, you  
6 were asked some questions about decision,  
7 sorry, investigation, the presiding officer's  
8 decision in Investigation 19-06-015. Do you  
9 have any views about the impact of that  
10 presiding officer's decision on the same  
11 qualitative factors that you were just  
12 discussing?

13 A Yes. I think it is credit negative  
14 on a qualitative basis to modify settlements,  
15 because it introduces unpredictability in the  
16 regulatory process. It also -- another  
17 factor the market looks to is timely decision  
18 making. And modifying settlements creates  
19 the potential that parties will be more  
20 reticent to engage in settlement discussions.

21 MS. SHERIFF: Your Honor, I believe  
22 this is a bit beyond the scope of my  
23 questioning on that presiding officer's  
24 decision.

25 ALJ COOKE: I understand what you might  
26 think. I'm going to allow him to answer, but  
27 briefly.

28 THE WITNESS: I think it creates

1 potential uncertainty that heightens risk  
2 and, therefore, is -- challenges the  
3 qualitative aspects of the credit ratings.

4 BY MR. WEISSMANN:

5 Q You were asked some questions by  
6 counsel about A4NR about the stress test  
7 around future efforts, events. You mentioned  
8 20 percent transmission distribution rate  
9 base. Where did that figure come from?

10 A AB 1054.

11 Q Can you be more specific? Is there  
12 a provision in 1054 that relates to that  
13 metric?

14 A The potential for losses under --  
15 for catastrophic fires were a utility deemed  
16 to be imprudent.

17 Q On page 2-15 there is a sentence  
18 that you were examined about that I want to  
19 clarify. It is on lines 24 through 27, and  
20 there is a reference here. Are you there?

21 A I am.

22 Q PG&E will use the proceeds for the  
23 realization of the shareholder certain tax  
24 benefits. Do you see that?

25 A I do.

26 Q And by "certain" did you mean that  
27 there were certain tax benefits or that the  
28 tax benefits were definitely going to happen?

1 Maybe would it be better for the sentence to  
2 read: Realization of certain tax holder  
3 benefits?

4 A Yes.

5 MS. KELLY: Your Honor, I would like to  
6 limit the use of leading questions.

7 MR. GEESMAN: Or rewriting testimony by  
8 counsel.

9 ALJ COOKE: I understand your concerns.  
10 I'm allowing the answer.

11 BY MR. WEISSMANN:

12 Q You were asked some questions about  
13 whether the utility's assets are subject to  
14 liens. Under the debtor in possession  
15 financing, are utility assets subject to  
16 liens?

17 A Yes, they are.

18 Q You were asked a question about the  
19 treatment of Tubbs claims, claims arising  
20 from the Tubbs fire. Under the TCC RSA are  
21 those claims resolved?

22 A Yes. They were included in the TCC  
23 RSA.

24 Q You were asked a question about  
25 whether holding company debt could have an  
26 impact on utility's cost of debt. You said  
27 it could, within certain thresholds. Do you  
28 remember that?

1           A    I do.

2           Q    Is the quantum holding company debt  
3 under the plan of reorganization, would that  
4 affect the utility's cost of debt?

5           A    No.

6           Q    You were asked some questions by  
7 counsel for TURN and EPUC about the fees that  
8 are being -- as to which the company would  
9 seek recovery, the financing professional  
10 fees. Do you recall that?

11          A    I do.

12          Q    Can you summarize the quantum,  
13 estimated quantum of the bankruptcy-related  
14 fees that the company is not seeking recovery  
15 of?

16          A    Our current estimate is just under  
17 1.6 billion.

18          Q    You were asked some questions about  
19 potential securitization transaction. In  
20 your experience, do securitization  
21 transactions typically permit prepayments?

22          A    Not in my experience.

23          Q    You were asked some questions,  
24 going back to the subject of the estimate,  
25 estimated 154 million of financing fees that  
26 the company would seek to recover. You said  
27 the quantum is uncertain and subject to  
28 change; is that correct?

1           A     That is correct.

2           Q     If that amount changed, would the  
3     company seek recovery of fees that would  
4     exceed the net savings to customers from the  
5     debt financing?

6           A     No.

7           Q     You were asked some questions  
8     regarding a data response, in which the  
9     company stated in that data response that it  
10    had not at that time made a final  
11    determination regarding its intended recovery  
12    of the 2017-2018 wildfire costs. Do you  
13    recall that?

14          A     I do.

15          Q     Are you certain of the date -- what  
16    is the date on which the company made a final  
17    determination of its approach with respect to  
18    that subject relative to the date of that  
19    data response?

20          MR. FINKELSTEIN: Your Honor, can we  
21    get clarification as to what  
22    cross-examination we are referring to here?  
23    I'm not recalling.

24          ALJ COOKE: Do you recall which  
25    cross-examiner asked the question?

26          MR. WEISSMANN: I'm looking.

27          ALJ COOKE: Let's be off the record.

28                (Off the record.)

1 ALJ COOKE: Let's be back on the  
2 record.

3 While we were off the record we had  
4 a discussion about this particular question,  
5 and we are going to forgo this question.

6 MR. WEISSMANN: Thank you, your Honor.  
7 Can I have just one second, please?

8 ALJ COOKE: Let's be off the record.  
9 (Off the record.)

10 ALJ COOKE: Let's be back on the  
11 record.

12 Mr. Weissmann has indicated he did  
13 not have any further questions. So we have  
14 limited opportunity for recross.  
15 Mr. Geesman.

16 RECROSS-EXAMINATION

17 BY MR. GEESMAN:

18 Q Mr. Weissmann asked you whether the  
19 rating agencies would view securitization as  
20 positive for your credit metrics or not. I  
21 believe your answer was confined to Standard  
22 & Poor's. Isn't it true that Moody's is less  
23 permissive about your ability to  
24 de-consolidate securitization from your  
25 balance sheet?

26 A That is correct.

27 MR. GEESMAN: Thank you, your Honor.

28 ALJ COOKE: Thank you.

1 Ms. Sheriff.

2 MS. SHERIFF: No recross, your Honor.

3 ALJ COOKE: Thank you.

4 Ms. Kelly.

5 MS. KELLY: No recross, your Honor.

6 ALJ COOKE: Thank you.

7 Mr. Abrams, it should be limited to  
8 the questions for which redirect was related  
9 to your questions.

10 MR. ABRAMS: Thank you, your Honor.

11 RECROSS-EXAMINATION

12 BY MR. ABRAMS:

13 Q Amongst all the questions he didn't  
14 mention me by name, so it was very difficult  
15 for me to understand exactly. I did bring up  
16 to Tubbs fire TCC RSA. On cross I would like  
17 to understand what you mean by "resolved"?

18 A The Tubbs fire victims were  
19 considered as part of the total settlement.  
20 So the settlement is intended to compensate  
21 Tubbs victims with other fire victims.

22 Q I guess I'm still lacking the  
23 understanding of what "resolved" means. Does  
24 "resolved" mean the Commission can't start an  
25 investigation into Tubbs? Does it mean that  
26 other wildfire survivors couldn't seek  
27 compensation through Tubbs? What does  
28 "resolved" mean?

1           A     Settled the amount of the claim.

2           Q     Just specific to that, not beyond  
3     it; is that correct?

4           A     That is correct.

5           Q     Thank you.

6           ALJ COOKE:   Thank you.

7                     Mr. Alcantar.

8           MR. ALCANTAR:   I wouldn't dare.

9           ALJ COOKE:   Mr. Finkelstein.

10          MR. FINKELSTEIN:   No, thank you.

11          ALJ COOKE:   Mr. Miley.

12          MR. MILEY:   Nothing, your Honor.

13          ALJ COOKE:   Thank you, Mr. Wells, for  
14     your testimony.   You are excused.

15                     At this time let's go off the  
16     record.

17                     (Whereupon, at the hour of 12:56  
18     p.m. a recess was taken until 1:00  
19     p.m.)

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19                             \*   \*   \*   \*   \*

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1 AFTERNOON SESSION - 2:00 P.M.

2

3 \* \* \* \* \*

4 ALJ COOKE: Let's be back on the  
5 record.

6 At this time we will call to the  
7 stand Ms. Brownell.

8 NORA MEAD BROWNELL, called as a  
9 witness by Pacific Gas and Electric  
10 Company, having been sworn, testified  
11 as follows:

12 THE WITNESS: I do.

13 ALJ COOKE: Thank you. Please be  
14 seated, and state your name and place of  
15 business for the record.

16 THE WITNESS: My name is Nora Mead  
17 Brownell. Place of business currently is at  
18 PG&E, in California.

19 ALJ COOKE: Thank you.

20 Mr. Weissmann.

21 DIRECT EXAMINATION

22 BY MR. WEISSMANN:

23 Q Good afternoon, Ms. Brownell. What  
24 is your position at PG&E?

25 A I'm the Chairman of the Board, of  
26 the corporation.

27 Q That would be PG&E Corporation?

28 A That is correct.

Q Do you have before you what has

1     been marked for identification as PG&E-1, the  
2     volume of prepared testimony?

3             A     I do.

4             Q     And within that volume are you  
5     sponsoring Chapter 4?

6             A     I am.

7             Q     Do you have before you what has  
8     been marked for identification as PG&E-4,  
9     which is a volume of exhibits to your  
10    testimony?

11            A     Yes.

12            Q     Excuse me.

13            A     Oops.

14            Q     Within PG&E, do you have before you  
15    what has been marked as PG&E-4?

16            A     Yes.

17            Q     Within PG&E-4 are you sponsoring  
18    Exhibit 1 to your testimony?

19            A     Yes.

20            Q     Do you have before you what has  
21    been marked for identification as PG&E-5?

22            A     Yes.

23            Q     Within that volume, that comprises  
24    Exhibits 2 through 7 of your testimony, which  
25    you are sponsoring; correct?

26            A     Yes.

27            Q     And you have before you what has  
28    been marked as PG&E-6?

1           A    Yes.

2           Q    And within that volume that  
3 contains Exhibits 8 through 23 to your  
4 testimony, which you are also sponsoring;  
5 correct?

6           A    Yes.

7           Q    Do you have before you what has  
8 been marked for identification as PG&E-7,  
9 which contains supplemental testimony,  
10 including errata?

11          A    Yes.

12          Q    Within that volume does that  
13 include the errata to your testimony in  
14 Chapter 4?

15          A    It does.

16          Q    I've just identified the portions  
17 of the exhibits that you are sponsoring. Was  
18 that -- was that material prepared by you or  
19 at your direction?

20          A    It was.

21          Q    And do you adopt that as your  
22 testimony?

23          A    I do.

24          Q    Is it true and correct to the best  
25 of your knowledge and belief?

26          A    It is.

27          MR. WEISSMANN: Your Honor, the witness  
28 is available for cross-examination.

1 ALJ COOKE: Thank you, Mr. Weissmann.  
2 Let's be off the record briefly.  
3 (Off the record.)

4 ALJ COOKE: Let's be back on the  
5 record.

6 At this time we will have  
7 cross-examination by Ms. Sheriff for CLECA.

8 MS. SHERIFF: Thank you, your Honor.

9 CROSS-EXAMINATION

10 BY MS. SHERIFF:

11 Q Good afternoon, Ms. Brownell.

12 A Good afternoon.

13 Q My name is Nora Sheriff. I  
14 represent the California Large Energy  
15 Consumers Association, or CLECA. They are  
16 large industrial customers of PG&E and  
17 Southern California Edison Company.

18 At page 4-8 of your testimony in  
19 what has been marked for identification as  
20 PG&E-1, you discuss director independence.  
21 Am I correct in understanding that you mean  
22 the general idea is that the Board shouldn't  
23 be too close to management?

24 A I think it is a board owes its  
25 responsibility to the corporation, shouldn't  
26 be too close to management, shouldn't be too  
27 close to anyone with vested interest in the  
28 company. I think it is pretty well defined

1 in the New York Stock Exchange rules.

2 Q Okay. On that same page you also  
3 talked about the committee of board members  
4 being able to, quote, "require reports from  
5 management," end quote.

6 Do you agree that management  
7 shouldn't be the only source of information  
8 to the Board?

9 A Absolutely.

10 Q Okay. So having a separate source  
11 of technical information and evaluation would  
12 improve the independence of the Board?

13 A It would improve the independence,  
14 and it would expand the information that you  
15 use in decision making. And, in fact, we do  
16 have reports from technical experts,  
17 including the experts by -- hired by the  
18 CPUC, NorthStar.

19 Q Okay. Other than NorthStar, do  
20 those technical experts report to the Board  
21 or do they report to management?

22 A They report to management, but the  
23 Board has --

24 Q Thank you.

25 A -- unfettered access.

26 Q At page 4-32 you reference Public  
27 Safety Power Shutoff events and the utility's  
28 worker safety. Are you aware of the

1 potential for calamitous impact to worker  
2 safety should a complex industrial site  
3 suddenly and with no notice lose power?

4 A Yes, I am.

5 Q Are you aware of the potentially  
6 hazardous environmental impacts that could  
7 occur in such a situation?

8 A Yes, I am.

9 Q Are you aware that some industrial  
10 customers in PG&E's service territory lost  
11 power due to the October 2019 Public Safety  
12 Power Shutoff events and had no notice,  
13 multiple times?

14 A I've read that. I'm not aware of  
15 it personally and didn't see it at this time,  
16 but it is certainly possible.

17 Q And are you aware that those  
18 industrial customers who lost power multiple  
19 times with absolutely no notice from PG&E did  
20 not see an improvement in PG&E's execution of  
21 the fall 2019 PSPS events?

22 A I'm aware. We've had a number of  
23 complaints about our notification and  
24 communication, and we are working very hard  
25 to improve that.

26 Q As you said earlier, you are aware  
27 of potential danger to worker safety and the  
28 environment?

1           A     I am.

2           Q     What do you think can be done to  
3     make sure that those events in the fall of  
4     2019 and the risk that they pose to worker  
5     safety industrial sites and the environment  
6     do not happen again in 2020?

7           A     I think we are taking a number of  
8     steps and, recently reviewed the Wildfire  
9     Safety Plan that has been submitted, in  
10    addition to the other activities.

11               First and foremost, our  
12    notification system has to be better. It has  
13    to be more accurate. And we've taken  
14    considerable steps to do that.

15               Secondly, the work on hardening our  
16    systems' vegetation management and all the  
17    other sectionalization, GO tagging our lines,  
18    will give us better information and allow us  
19    to manage those with smaller scope and,  
20    hopefully, shorter duration.

21           Q     Excuse me. I only have  
22    five minutes, and I just have one final  
23    question. You can expand on redirect with  
24    your counsel.

25               Do you think there should be a  
26    targeted focus effort for large power  
27    industrial customers because of these  
28    additional risks that they seek?

1           MR. WEISSMANN: Could you repeat the  
2 question? I couldn't quite hear.

3 BY MS. SHERIFF:

4           Q In terms of making sure the 2020  
5 Public Safety Power Shutoff events do not  
6 pose the same risks to large power customers  
7 with complex industrial sites where there is  
8 concern of worker safety and hazardous  
9 impacts to the environment should a sudden  
10 loss of power occur with no notice, do you  
11 think, Ms. Brownell, that there should be a  
12 focused effort as to those large power  
13 customers?

14           A I absolutely believe there should  
15 be a focused effort of those customers and  
16 all at-risk customers. There is particular  
17 focus on doing a far better job than that.  
18 So I certainly understand.

19           MS. SHERIFF: Thank you. I have no  
20 further questions.

21           ALJ COOKE: All right. Thank you.

22                   Given that Ms. Sheriff needs to  
23 leave, I'm going to take the unusual step of  
24 saying: Is there any redirect for her  
25 questions?

26           MR. WEISSMANN: No, your Honor.

27           MS. SHERIFF: Thank you very much, your  
28 Honor. I appreciate that.

1 ALJ COOKE: Also for the record  
2 Commissioner Rechtschaffen has rejoined me on  
3 the dais on that earlier line of questioning.

4 Next is Ms. Kelly, MCE.

5 MS. KELLY: Thank you very much.

6 CROSS-EXAMINATION

7 BY MS. KELLY:

8 Q Good afternoon. Welcome. I have a  
9 few short questions.

10 Would you please turn to page 4-4  
11 of your testimony.

12 A I'm there.

13 Q Thank you.

14 So in the first bullet a board  
15 fulfills its role in a variety of ways,  
16 including, and what does your first bullet  
17 point say?

18 A Setting an appropriate tone  
19 from the top to actively  
20 cultivate corporate culture  
21 that gives priority to  
22 integrity, ethical  
23 standards, full compliance  
24 with legal requirements,  
25 professionalism, fair  
26 dealing, socially  
27 responsible pursuit of a  
28 company's business

1 objectives.

2 Q So does the Board of PG&E  
3 Corporation currently set an appropriate tone  
4 from the top to actively cultivate a  
5 corporate culture, in this whole first  
6 bullet?

7 A I absolutely believe that it does.  
8 And it includes getting to know the employees  
9 at the local level, doubling the number of  
10 field visits, actually more than doubling, to  
11 80, to get a really intense deep dive into  
12 all the business practices of the company,  
13 and a number of activities. So we tried to  
14 be visible, engaged and knowledgeable.

15 Q Great.

16 Does PG&E generally have a  
17 corporate culture that gives priority to  
18 integrity as standards, full compliance with  
19 legal requirements, professionalism, fair  
20 dealing and socially responsible pursuit of  
21 the company's business objectives?

22 A I believe we have 23,000 employees  
23 who work very hard to live up to those  
24 obligations and to set a culture of  
25 integrity, and all of the things we list  
26 below.

27 Q So on a yes or no basis, does the  
28 corporate culture have those attributes at

1     this time?

2             A     Yes.

3             Q     So I've reviewed many of your --  
4     the exhibits to your testimony.  You don't  
5     need to turn to any of them in particular.  I  
6     did notice that none of them specifically  
7     addressed governance related to  
8     investor-owned utilities or entities in the  
9     public goods.  So why is that?

10            A     I believe the same rules apply  
11     whether you are a utility or a chemical  
12     company.  Although, I think with the utility,  
13     or when I worked at a bank, when you have a  
14     regulated monopoly you have a special  
15     obligation, I think that is a social  
16     responsibility, as well as a responsible --  
17     in a utilities to deliver safe, reliable,  
18     affordable service.

19            Q     And so is that social  
20     responsibility a fiduciary duty?

21            A     I think a successful company who  
22     fulfills -- with a board that fulfills its  
23     fiduciary responsibilities is committed to  
24     all those things.  Safety, for example, is a  
25     platform for fulfilling your fiduciary  
26     responsibility.

27            Q     Thank you.  That is sufficient.  
28                   And if you turn to page 4-19 of

1 your testimony.

2 A I'm there.

3 Q Great.

4 The second bullet. This relates  
5 the target of PG&E to have at least  
6 50 percent California resident directors at  
7 Chapter 11 emergence?

8 A That is correct.

9 Q Is that an ongoing goal and  
10 commitment?

11 A It is.

12 Q And have you considered commitments  
13 to having directors within PG&E's service  
14 territory, or have you evaluated it?

15 A We have not yet. We've just begun  
16 the refresh process, but certainly can take  
17 that into consideration. We currently have  
18 several members who are in fact in PG&E's  
19 service territory.

20 MS. KELLY: Thank you. I have no  
21 further questions, your Honor.

22 ALJ COOKE: Thank you.

23 Next up is Mr. Geesman with A4NR.

24 MR. GEESMAN: Your Honor, I may have  
25 been unclear with your earlier inquiry about  
26 cross-examination exhibits. I would like to  
27 use a couple of the exhibits that I utilized  
28 earlier this week, A4NR-X-3 and A4NR-X-4.

1 ALJ COOKE: Let's be off the record.

2 (Off the record.) ]

3 ALJ COOKE: Let's be back on the  
4 record.

5 Go ahead, Mr. Geesman.

6 CROSS-EXAMINATION

7 BY MR. GEESMAN:

8 Q Good afternoon, Ms. Brownell.

9 A Good afternoon.

10 Q My name is John Geesman. We knew  
11 each other years and years ago.

12 A We did indeed.

13 Q Today I am representing the  
14 Alliance For Nuclear Responsibility and their  
15 interest in this proceeding is the impact of  
16 the PG&E Plan of Reorganization on  
17 ratepayers.

18 At page 4-23, lines 31 and 32, your  
19 testimony, you describe part of PG&E's  
20 fundamental objective as delivering  
21 affordable energy to its customers. And at  
22 page 4-25, lines 3 and 4, you speak of PG&E's  
23 mission of safely and reliably delivering  
24 affordable service.

25 As a former utility regulator, what  
26 do you mean when you use that word  
27 "affordable?"

28 A I think that's a good question

1     because sometimes it's interpreted as eye of  
2     the beholder and I don't think that's the  
3     standard. I think a utility has to operate  
4     as efficiently as it possibly can in  
5     allocating capital to the appropriate  
6     resources that will not only provide safe  
7     infrastructure but infrastructure that is  
8     cost-efficient. I believe it needs to manage  
9     its resources, certainly the resources of  
10    both -- of its ratepayers very carefully to  
11    bring down the costs.

12             And, in fact, as part of our Plan  
13    For Reorganization, we through the Finance  
14    Committee but through all of the boards are  
15    taking a good look at our business processes,  
16    at our procurement, at our IT to make sure  
17    that we are operating appropriately and  
18    efficiently and I think there's room for  
19    improvement. So we hope to be able to bring  
20    down costs in our operating systems.

21             Q     Is there any quantitative  
22    performance metric that you believe the Board  
23    should apply in determining whether PG&E is  
24    successful in this affordable objective?

25             A     I think there are a number of  
26    metrics. One of the metrics that the Finance  
27    Committee is using working with this CFO is  
28    monthly report on costs, on number of

1 employees on individual budgets for which the  
2 directors of those budgets, owners of those  
3 budgets, are held accountable both to the  
4 Finance Committee as well as the boards.

5 Q Did those cost-reduction steps that  
6 the Board has initiated extend to reviewing  
7 utility-owned generation for cost-related  
8 retirement?

9 A We have not yet done that. I can't  
10 say it's not being done. I have not yet seen  
11 any material on that.

12 Q But so far, it's not been at the  
13 top of your priority list?

14 A I wouldn't say it's not been at the  
15 top of my priority list. I just haven't seen  
16 any work that's been done. There are any  
17 number of initiatives being looked at as part  
18 of our restructuring.

19 Q Can I ask you to take a look at the  
20 cross-examination exhibit A4NR-X-3, which is  
21 a table found on page 21 of the company's  
22 February 18, 2020 Form 10-K filing?

23 A A4NR-X-3. Sorry. Got it.

24 Q Table taken from the 10-K?

25 A I see.

26 Q I would like you to focus on that  
27 44.6 percent number near the bottom of the  
28 table right above the line that says "Total

1 100.0 Percent."

2 A Yes.

3 Q You ought to read the footnotes  
4 associated with that as well.

5 A Give me a moment. I'm old now.

6 Q Sure.

7 A I think I have it.

8 Q Would it be correct to say that in  
9 2019, PG&E sold off a sizeable proportion of  
10 its generation and procurement portfolio?

11 A I'm not entirely familiar with the  
12 details of that. We did -- I don't recall  
13 that we have actually.

14 Q 44.6 percent is a pretty large  
15 number; is it not?

16 A Yeah. I'd have to really get back  
17 to you, sir, with the details of that.

18 Q I'm not talking about selling off  
19 the underlying assets. I am talking about  
20 selling off the output. Given what hours of  
21 electricity generated, as I read that table,  
22 it suggests that you sold 44.6 percent of it  
23 to the CAISO marketplace.

24 A I believe that to be accurate but I  
25 honestly really would need to familiarize  
26 myself with the details.

27 Q In if fact that 44.6 percent was an  
28 accurate number, that would represent a lot

1 of churn, would it not?

2 A It would.

3 Q Do you think it's consistent with  
4 PG&E's affordability objective to maintain an  
5 electricity supply portfolio that is that  
6 much in excess of your customer's needs?

7 A I think that we need to carefully  
8 balance that. I certainly understand the  
9 nature of your question. I do believe it  
10 would be responsible to look at that.

11 Q At page 4-27, lines 3 to 5, you  
12 testify that the new boards are working with  
13 management to identify ways to -- and I am  
14 quoting, "achieve greater operational  
15 efficiency and financial discipline to  
16 enhance value to customers." Close quote.

17 You have been there a little while  
18 now. Could you describe any progress you've  
19 made on that score?

20 A Yes. We have looked hard and long  
21 at our procurement process which we found to  
22 be inefficient and reactive. And I think  
23 that can be said for one of the things if you  
24 look at some of the issues we are  
25 confronting, that the company has been in a  
26 reactive mode. We have reassigned  
27 procurement at a higher level. We've been  
28 working with our restructuring experts to

1 streamline the process, but at the same time  
2 get better transparency and more discipline;  
3 RFPs that clearly articulate the need before  
4 we sign a contract as opposed to after we've  
5 signed a contract.

6           During the initial disasters,  
7 people were just hiring contractors at will  
8 and we walked that back. So there's better  
9 accountability and frankly I think more  
10 consolidation of information and data which  
11 has been an issue at the company so that we  
12 can better manage that process. I spoke  
13 about the work --

14           ALJ COOKE: Ms. Brownell, I am sorry to  
15 interrupt. When you said procurement --  
16 looking at the procurement process, are you  
17 speaking about procurement of goods and  
18 services versus power procurement?

19           THE WITNESS: Yes.

20           ALJ COOKE: Thank you. Thank you for  
21 that.

22           THE WITNESS: As I mentioned, working  
23 with the Finance Committee, we are trying to  
24 look and hold people accountable at a  
25 director level for managing budgets more  
26 carefully. We're trying to work with the HR  
27 folks, not only to streamline the system so  
28 that we can hire the right people at the

1 appropriate time, but with less cumbersome  
2 bureaucracy and paperwork and more responsive  
3 to the business needs. We have looked at our  
4 IT systems and are speaking with a very  
5 sophisticated data management artificial  
6 intelligence company based in California to  
7 help us with an overlay of our data so that  
8 we can get a more integrated picture of the  
9 various parts of the business including  
10 safety, procurement, finance.

11 Q Page 4-29, lines 16, all the way  
12 through page 4-31, line 19, you provide an  
13 extended description of PG&E's two SNO  
14 committees?

15 A Yes.

16 Q Can you tell me what the letters  
17 SNO stand for?

18 A Safety Nuclear Oversight.

19 Q There is an SNO Committee at the  
20 utility and one at the holding company as  
21 well, right?

22 A There is an SNO Committee that is  
23 comprised of the same people that serves both  
24 the utility and the corporation.

25 Q And you're a member of that  
26 committee?

27 A I am a member.

28 Q Are you aware that the Commission

1 requires in a decision identified as  
2 D.19-06-008 PG&E is to supply it with  
3 nonconfidential versions of the minutes of  
4 all Board of Directors and SNO Committee  
5 meetings?

6 A I am.

7 Q Are you aware that the controversy  
8 over when the minutes got sent in that I  
9 discussed with Mr. Vesey yesterday?

10 A I am aware of it and I can  
11 certainly comment. That has been a huge  
12 issue. Since we came to the company, we have  
13 had probably, I don't know, four or five  
14 times as many meetings. They completely  
15 overwhelmed the corporate secretary's office.  
16 So we've done a number of things.

17 First, I outsourced the committee  
18 meeting minutes and the Board minutes to our  
19 outside counsel. It's an expensive solution  
20 but needed to be done because we can't afford  
21 to get behind. We have chosen a new  
22 corporate secretary who is restructuring the  
23 department so that we can be more timely.  
24 It's an embarrassment, frankly to me  
25 personally, as well as the company, and we  
26 respect the Commission and our obligations.  
27 We also, frankly, respect good corporate  
28 governance and that is not a demonstration.

1           Q    I really want to thank you for  
2   being here today.  Those are all of my  
3   questions.

4                    Thank you, your Honor.

5           THE WITNESS:  Thank you.

6           ALJ COOKE:  Thank you, Mr. Geesman.

7                    All right.  Our next cross-examiner  
8   is Mr. Long from TURN.

9           MR. LONG:  Thank you, your Honor.

10                   CROSS-EXAMINATION

11   BY MR. LONG:

12           Q    Good afternoon, Ms. Brownell.  I am  
13   Tom Long with TURN.

14                    I want to start by talking just a  
15   little bit about your résumé.  I know you're  
16   a former State and Federal regulator.  Are  
17   you a lawyer?

18           A    I am not.

19           Q    Lucky you.  You're probably a  
20   happier person for it.

21           A    Well, one of my mentors was  
22   Governor Dick Thornburgh.  When I told him I  
23   was going to law school he said, "You will  
24   hate law school.  Don't do it."  I took his  
25   advice.  He was a smart guy.

26           Q    Okay.  Now you joined the Board in  
27   April 2019; is that right?

28           A    I did.

1           Q    What were the key elements of  
2 PG&E's history that you felt you needed to be  
3 informed about in order to be an effective  
4 Board chair?

5           A    Well, first let me say that having  
6 been involved in the energy crisis in 2001  
7 during my tenure at the FERC, I followed  
8 PG&E's history and California's history very  
9 closely.

10               We certainly had an onboarding  
11 process that reviewed all of the major  
12 incidents that had occurred in the -- in  
13 recent and fairly past history to get a  
14 better understanding of the causes and of the  
15 solutions.

16               Again, that has formed some of our  
17 views in the things that we needed to focus  
18 on at the company. We also looked at issues  
19 like employee safety, which is a major  
20 concern for me. The company's been in the  
21 fourth quartile of employee safety for almost  
22 20 years. That's just not a record we want  
23 to continue. We want to see our employees as  
24 well as the public as safe as possible.

25               So, I don't know if that answers  
26 your question. We looked at a lot of things  
27 during our onboarding and continue to do so.

28           Q    Okay. You said that in this

1 onboarding process, you reviewed -- I think  
2 you said all major incidents of the past and  
3 recent years.

4 Based on what you've learned about  
5 PG&E's safety problems of the past decade,  
6 what is your perception of the reason or  
7 reasons for those problems?

8 A It's hard for me to repeat history  
9 when I wasn't there. But my observations  
10 are, one, we need to renew our commitment to  
11 safety. Two, we need to and have revamped  
12 our compensation with a much greater focus on  
13 safety metrics to capture everyone's  
14 attention and to get them to focus on the  
15 right issue. Three, we need to develop  
16 better data and better data sets. Hence, our  
17 recent consultation with several firms who do  
18 that. Third, I think we need to be sure that  
19 our employees have better tools.

20 One of the issues with  
21 recordkeeping is that it was paper-driven  
22 which increases both the opportunity for just  
23 simple human error. It's also time-consuming  
24 and took supervisors out of the field, where  
25 their presence is critical to managing safety  
26 issues.

27 I could go on and on, but I hope  
28 that gives you a picture.

1           Q    Well, looking at the types of  
2 problems that --

3           ALJ COOKE:  Let's be off the record for  
4 a second.

5                   (Off the record.)

6           ALJ COOKE:  Let's be back on the  
7 record.

8 BY MR. LONG:

9           Q    Looking at the types of problems  
10 that have taken place in the past decade and  
11 I am just going to go over a quick summary of  
12 some of them.  There was a problem with the  
13 Locate and Mark Tracking System.  There were  
14 problems with recordkeeping in both the Gas  
15 Transmission System and the Gas Distribution  
16 System.  I see you're nodding your head.  So  
17 both of these you have agreed that there are  
18 problems.

19          A    Yes, I have agreed, yes.

20          Q    The monitor, the federal monitor  
21 identified problems with enhanced vegetation  
22 management recordkeeping; is that right?

23          A    Yes.

24          Q    There were problems with the  
25 October PSPS events with the website and  
26 communications; is that right?

27          A    Yes.

28          Q    There were inspections that failed

1 to find unsafe equipment leading to  
2 wildfires; is that right?

3 A Yes.

4 Q Again, back to the Locate and Mark,  
5 there was a management failure to correct  
6 problems that were widely known in the  
7 organization; is that right?

8 A Apparently. I wasn't there, but  
9 yes.

10 Q So to me these strike me as  
11 wide-ranging problems in a diversity of areas  
12 of operations and various aspects of the  
13 operations. Does it strike you that way as  
14 well?

15 A It strikes me as a problem with  
16 underlying business fundamentals. I spoke  
17 earlier of a procurement process that was not  
18 as transparent or financially-disciplined or  
19 focused on the right things. I think I  
20 mentioned our IT systems and in fact that is  
21 one of the problems with our recordkeeping.

22 I mentioned technology as a  
23 solution to at least part of the inputs to  
24 those data sets. So, you might define them  
25 as wide-ranging and they certainly are, but I  
26 don't think the solutions are difficult to  
27 find. I think while we are certainly focused  
28 on wildfire safety and improving all of that,

1 we also have to make this an organization  
2 that follows what I would call common  
3 business practices.

4 Q When you have a diversity of  
5 problems like this, doesn't that also  
6 indicate that there were problems at the  
7 senior management level?

8 A I can't speak to a period of time  
9 in which I was not present.

10 Q And your onboarding and learning  
11 about this didn't inform you -- enable you to  
12 inform yourself about that. Is that a  
13 question?

14 A It certainly informs the way we  
15 look forward and the way we hold our current  
16 management accountable; the way we interact  
17 with our management. The level of engagement  
18 of this Board, unlike a Board that you would  
19 find in a typical company is what I would  
20 almost call an activist Board really doing  
21 deep dives into places that you normally  
22 wouldn't go.

23 Q But the statute, the reason we're  
24 here, AB 1054 says we are supposed to  
25 consider PG&E's governance in light of its  
26 safety history. So that is why I am focusing  
27 on history.

28 And I am asking whether, based on

1 the history that you have seen, whether you  
2 have concerns about how senior management has  
3 conducted itself.

4 A Again, on our onboarding, we looked  
5 at certainly the history. And what it does  
6 is inform me on what we need to have from  
7 management going forward. Could I speculate  
8 on failures of management or people who are  
9 participants and employees? I could, but  
10 honestly it would be speculation.

11 Q Okay. And you did not undertake an  
12 effort to determine whether issues with  
13 senior management were in any way responsible  
14 for the types of issues we just went over?

15 A I believe it informs what I do  
16 today. I don't know that spending time  
17 speculating on the behavior of previous  
18 management would be particularly helpful. I  
19 need to spend my time on fixing problems and  
20 holding people accountable going forward.

21 Q Do you have an opinion about  
22 whether PG&E has been sufficiently clear  
23 about its expectations for senior management  
24 in the past?

25 A Again, I wasn't there in the past  
26 so I really can't speculate. What I can say  
27 is we have changed our compensation to  
28 reflect what I believe is a greater degree of

1     accountability for public safety, employee  
2     safety, wildfire mitigation and  
3     infrastructure management.

4             Q     Okay. I am going to shift now to a  
5     different topic and ask you to look at  
6     page 4-8 of your testimony. And I am again  
7     going to, as Ms. Sheriff did, ask you a  
8     question or two about the word "independent"  
9     that you used on that page in the second  
10    paragraph.

11            A     Yes.

12            Q     I know Ms. Sheriff asked you a  
13    question or two about that, but I just want  
14    to get a clear definition from you. Does  
15    "independent" as you use it on line 10 mean  
16    that the Board member is not an officer or  
17    employer -- employee of the company? Is that  
18    what you mean by "independent?"

19            A     No. More than that I mean they're  
20    independent from any material interests in  
21    the company or partners to the company. I  
22    think they're independent from any special  
23    influence, if I had to paraphrase the New  
24    York Stock Exchange.

25                    So that would include all kinds of  
26    people, including vendors, including  
27    shareholders, including politics. We need  
28    not to be -- we need to be free of anything

1     that might compromise decision-making.

2             Q     So the Board -- so a Board member  
3     to be independent should not be a  
4     shareholder?

5             A     I'm not saying that. In fact, in  
6     many boards, you're encouraged to be a  
7     shareholder because it's a demonstration of  
8     your belief in the long-term viability and  
9     success in the company. So I think if you  
10    were a majority shareholder of the company,  
11    that probably would not be viewed as  
12    independent from -- by the New York Stock  
13    Exchange.

14            Q     Okay. So "independent" includes  
15    not being a majority shareholder?

16            A     Yes.

17            Q     But it's okay to be a shareholder?

18            A     I think in many cases it does give  
19    a common interest in the company. I am not a  
20    shareholder, by the way.

21            Q     And you said -- you mentioned  
22    vendors. So, to be independent, a director  
23    should not be employed by a vendor; is that  
24    what you mean?

25            A     I would suggest that could possibly  
26    compromise them. And as you know, FERC has a  
27    rule about Board members not serving on a  
28    utility Board as well as a Board of a vendor.

1           I think anything that might even  
2       create the perception of compromised  
3       decision-making would be considered under the  
4       independent definition.

5           Q     Okay. I want to delve into this a  
6       little more by looking at a passage from  
7       page 4-9, beginning on line 7. And I am  
8       going to read that. It says:

9                     The directors of PG&E, in  
10                    my experience, have taken  
11                    into account impacts on  
12                    customers and other  
13                    stakeholders as we have  
14                    discharged these fiduciary  
15                    duties. Directors must be  
16                    free to consider and  
17                    balance all such  
18                    considerations in an  
19                    unbiased fashion and must  
20                    avoid conflicts of interest  
21                    that could impair their  
22                    ability to do so.

23                   And then it goes on. Do you see  
24       that?

25           A     I do.

26           Q     So, you mentioned in the passage  
27       "fiduciary duties." And earlier in that same  
28       paragraph you had stated that the Board

1 members have a fiduciary duty to act in the  
2 best interest of shareholders; is that  
3 correct?

4 A That is correct. That is the  
5 commonly-held definition and I believe the  
6 law.

7 Q Right. I was just going to ask  
8 that. That is a legal duty?

9 A Yeah.

10 Q Now you do not have a similar  
11 fiduciary duty to customers; is that correct?

12 A I believe a fiduciary  
13 responsibility to shareholders means that we  
14 do everything possible to deliver value to  
15 the customers, to the communities and to  
16 other stakeholders. That's particularly true  
17 I think in a utility where both the economy,  
18 but the very well-being of individuals in a  
19 community is part of that duty.

20 Q Okay. And I am going to repeat my  
21 question which was a yes or no question. You  
22 do not have a fiduciary duty as a director to  
23 customers; is that right?

24 A As it's defined in the law, yes.

25 Q Okay. Yet you say the Board takes  
26 into account impacts on customers and other  
27 stakeholders and should do so in an unbiased  
28 fashion. So the question that raises for me

1 is: How do you take customer considerations,  
2 interests into account without bias when your  
3 fiduciary duty is to the shareholders and you  
4 don't have such a duty to the customers?

5 A If I'm not serving the customers,  
6 if I have a massive failure in safety as we  
7 have seen, if the people who purchase my  
8 services and pay my bills are not satisfied,  
9 that has a direct translation into the  
10 financial well-being of the company. In  
11 other words, the stock price declines  
12 significantly when you have ignored these  
13 fundamental responsibilities. So I think  
14 it's -- you asked the question honestly as if  
15 they're mutually-exclusive and I don't  
16 believe that's actually a reflection of how  
17 it works.

18 Q Okay. But doesn't fiduciary duty  
19 mean that if there is a conflict between  
20 customer interests and shareholder interest,  
21 then you have to put the interests of  
22 shareholders first?

23 A I can't imagine a situation in  
24 which a conflict -- we have not been  
25 presented with one, nor have I ever candidly  
26 on the boards that I have served.

27 Q Let's think about this issue.  
28 Whether shareholders should pay for billions

1 of dollars of wildfire liability or should  
2 try to recover those costs in higher rates  
3 paid by ratepayers, do you not see a  
4 potential tension or a conflict of interest  
5 between the position of shareholders there  
6 and the interests of customers?

7 A I think in our case, the  
8 shareholders have actually offered to pay a  
9 significant amount. I think it depends  
10 honestly on the determination of those kinds  
11 of events.

12 Q Let's divorce it from the  
13 particular, the Plan of Reorganization here  
14 and just talk generally about a situation  
15 that could arise and it could be a gas  
16 explosion. It could be anything where  
17 there's an issue about whether or not PG&E is  
18 -- whether shareholders are paying for the  
19 costs or whether they're seeking the  
20 reliability costs that result from an  
21 incident, or whether those costs are  
22 requested to be recovered from ratepayers.  
23 Do you not see that there is a potential for  
24 a conflict there?

25 A Perhaps there is a potential for a  
26 conflict. I don't feel that potential and I  
27 think it is very dependent on circumstances,  
28 on the regulatory compact, on what rules

1 under which people are operating and the  
2 consistency of those rules. So I understand  
3 why you might perceive that. I just haven't  
4 had that experience at this point.

5 Q Let me ask you another  
6 hypothetical. Let's say that there's a  
7 director on the PG&E Board that is an avowed  
8 customer advocate. I am going to put  
9 customer interests first, first. Would that  
10 be a conflict of interest?

11 A I'd like to believe that all of our  
12 Board members are customer advocates. And I  
13 have seen a lot of demonstrations of that in  
14 Board decisions.

15 Q And so if that person said on this  
16 matter, "I am going to put the interests of  
17 customers ahead of the interests of  
18 shareholders," would that person have a  
19 conflict of interest?

20 A I am -- honestly I don't believe as  
21 I have said these are mutually exclusive.

22 Q Okay. I understand your position.  
23 We don't need to --

24 A Okay.

25 Q I am not trying to cut you off. I  
26 realize the question was getting a little  
27 repetitive and I just wanted to move on.

28 So let's talk about a slightly

1 different issue on page 4-23 of your  
2 testimony. And this -- they're going to be  
3 echoes of what we have just been talking  
4 about, I acknowledge.

5 A That's all right.

6 Q But it is slightly different. This  
7 is Section E-1. And this is about how the  
8 goals of safety and financial performance  
9 relate to each other.

10 A Mmm-hmm.

11 Q Do you see that section I am  
12 talking about?

13 A I do.

14 Q I think your position is that  
15 safety and financial performance are not  
16 conflicting goals; is that right?

17 A That's correct.

18 Q Now are you saying then that it is  
19 not even possible for those goals to come  
20 into conflict?

21 A I don't see a set of circumstances  
22 in which that would happen. Safety would  
23 always, always be first because it's an  
24 underlying element of financial performance  
25 and you can see that in the stock price of  
26 PG&E or any other company that has had a  
27 major safety issue.

28 Q Okay. So, I don't know if you're

1     aware TURN has recommended that PG&E  
2     directors be required to agree in writing  
3     that if shareholder interests and safety come  
4     into conflict that safety takes priority.

5             Do you have a problem with that  
6     recommendation by TURN?

7             A     I'd have to think about that. I am  
8     aware of the recommendation, but we could  
9     also sign something that says if fiduciary  
10    responsibilities and reliability came into  
11    conflict or sustainability or environmental  
12    stewardship, all of those are underpinnings  
13    of a successful company and therefore its  
14    financial stability and performance.

15            So I understand why you would like  
16    that. I just would have to have a better  
17    understanding of how one would define that.  
18    I believe we're held accountable to a  
19    standard of performance, particularly when  
20    you're elected year by year. So I appreciate  
21    that suggestion and I'm happy to take it  
22    under consideration. I can't make that  
23    commitment without a fuller understanding of  
24    what that would actually mean.

25            Q     Well, with all respect, this was  
26    the proposal that we put in our December 13th  
27    testimony. We have asked PG&E about it in  
28    data request responses and we have gotten

1 nothing but evasion. And so I was hoping you  
2 would give me an answer. And I am sorry but  
3 it sounds like you're still not able to  
4 answer the question of whether you would  
5 agree with that recommendation. ]

6 A I understand the recommendation. I  
7 respect the recommendation. I need to  
8 understand the implications of that before I  
9 commit an entire board.

10 Q Now, in terms of whether safety and  
11 financial performance can ever come into  
12 conflict, I assume you are aware that leading  
13 up to the San Bruno explosion there was, and  
14 this is what the Commission identified as  
15 part of the problem, that there was an  
16 excessive focus on financial performance to  
17 the detriment of doing the work that was  
18 necessary to have a safe gas infrastructure.  
19 Are you familiar with that?

20 A I'm familiar that. San Bruno was a  
21 call to action for the entire pipeline  
22 community whose recordkeeping had not kept  
23 up, whether that was -- whether that  
24 was illustrated preference for financial  
25 performance and not spending necessary  
26 capital, or whether it was simply an  
27 inexcusable oversight. I do know it caused  
28 an entire industry to rethink and also check

1 on their own records, because I was on the  
2 pipeline board at the time.

3 Q But my question is: Are you ready,  
4 can you accept, or do you agree that part of  
5 what happened there was that PG&E emphasized  
6 financial performance to the detriment of  
7 safety?

8 A If the Commission determined that,  
9 I accept the Commission's definition. I  
10 think there are a lot of things that can go  
11 wrong with recordkeeping. And I've seen some  
12 of them, none of which have to do with not  
13 spending adequate financial resources to  
14 support the core mission of the company.

15 Q Okay. I'm going to move on to a  
16 new topic, which you've raised a couple of  
17 times. You've talked about compensation for  
18 executives?

19 A Yes.

20 Q I want to talk about it at a very  
21 high level now. I know there is another  
22 witness who is going to go into the details.  
23 I'm going to ask you from a high-level board  
24 perspective.

25 A Yes.

26 Q Actually, if you could look at  
27 page 4-4, the last bullet you have on that  
28 page about how the Board fulfills its roles.

1 Let me know when you are at 4-4.

2 A I'm there.

3 Q The last bullet says one of the  
4 ways for the Board to fulfill its roles is to  
5 hold the CEO and management accountable for  
6 results. Can we agree that one way the Board  
7 can do that is through executive  
8 compensation --

9 A Absolutely.

10 Q One type of executive compensation  
11 is incentive compensation?

12 A That is correct.

13 Q As opposed to foundational or base  
14 pay?

15 A That is correct.

16 Q For the incentive compensation  
17 portion, would you agree that where the  
18 achievement milestones qualify for the  
19 incentive compensation, where they are set is  
20 very important?

21 A Absolutely.

22 Q And what would happen if those  
23 achievement miles -- milestones were too easy  
24 to achieve?

25 A I think the Board would not be  
26 fulfilling its responsibility to hold  
27 management accountable.

28 Q And it would not be a good

1 situation if the milestones were set such  
2 that they could be so easily achieved that  
3 effectively the incentive compensation  
4 becomes guaranteed conversation? That would  
5 not be a good thing; is that right?

6 A It is not incentive compensation  
7 under those circumstances.

8 Q Okay. Finally, I would like to  
9 direct you to page 4-32 of your testimony,  
10 lines 21 and 22.

11 A Yes.

12 Q There you are referring to PG&E's  
13 execution of the PSPS events in October 2019  
14 as, the word you use is "imperfect." Now,  
15 earlier in your testimony you say that the  
16 Board is responsible for setting the tone at  
17 the top. You are the Board chair. Is that  
18 the right word to capture what went wrong  
19 with PG&E's shutoffs last October?

20 A I think there is no word to  
21 actually describe the impact of the things  
22 that went wrong during that period of time.  
23 I was in the EOC. I was working with the  
24 teams to find quick solutions. It is why we  
25 spent the time since then with a number of  
26 work streams to address those issues.

27 It is among the reasons, but there  
28 were many that the compensation committee,

1 and John Lowe can testify to the details, has  
2 readjusted the compensation to focus on  
3 safety, to focus on including a submetric on  
4 PSPS.

5 Q I'm just curious why you couldn't  
6 have chosen a phrase like "poorly executed"  
7 instead of a word like "imperfect"?

8 A I accept your recommendation.  
9 "Poorly excused" would be absolutely a good  
10 term.

11 MR. LONG: That is all my questions.  
12 Thank you.

13 THE WITNESS: Thank you.

14 ALJ COOKE: Thank you, Mr. Long.  
15 Mr. Strauss.

16 MR. STRAUSS: Thank you, your Honor.

17 CROSS-EXAMINATION

18 BY MR. STRAUSS:

19 Q Ms. Brownell, my name is Ariel  
20 Strauss. I represent Small Business Utility  
21 Advocates, a nonprofit that represents small  
22 businesses and other small commercial  
23 customers.

24 A few moments ago you said  
25 something to the everybody that you could not  
26 imagine a serious conflict between safety and  
27 financial performance. Is that roughly  
28 correct?

1           A     That is correct.

2           Q     And yet we are all here today  
3     because there is some sort of serious  
4     oversight in safety that resulted in  
5     bankruptcy?

6           A     I agree with that.

7           Q     Okay. And in the transition to  
8     increase focus on safety, is there a  
9     heightened risk that certain core  
10    competencies may be overlooked in that  
11    transition?

12          A     Could you clarify what core  
13    competencies you might --

14          Q     Sure. Other social services and  
15    other essential areas of businesses that PG&E  
16    must ensure are adequately addressed.

17          A     No. I don't think -- it is not our  
18    intention nor do I think it is necessary to  
19    improve our safety record, to improve our  
20    operational performance while ignoring  
21    certain other constituencies or obligations  
22    that we have. If that answers your question?

23          Q     Not exactly.

24          A     Okay.

25          Q     What I'm asking is, there is a  
26    finite amount of resources available, finite  
27    number of people on the Board. They are very  
28    busy people. I understand that you are

1 saying they will spend more time field, they  
2 will be transitioning more responsibilities  
3 to the SNO Committee. In that environment,  
4 is there a heightened risk that certain other  
5 responsibilities could be overlooked?

6 A I don't believe so. And we can  
7 talk about specifics. If you want to talk  
8 about our commitment to the small business  
9 community, we've had a good relationship.

10 Q That is all right. Thank you. I  
11 think that answers the question.

12 A Okay.

13 Q Then I guess it would be fair to  
14 say -- have you had any meetings then that  
15 address managing risks of other areas that  
16 are being overlooked that are not safety?

17 A I've had several meetings with our  
18 customer group about a number of different  
19 constituencies. How we might not only  
20 continue to serve them, but serve them  
21 better. I've also had a number of visits  
22 with customers in the field, particularly  
23 those who are impacted by PSPS, to get a  
24 better understanding of how we can  
25 accommodate their needs and will continue to  
26 do that. I think that is an important part  
27 of the board's role.

28 Q Okay. Then can I draw your

1 attention to the skills matrix on 4-11, 4-12?  
2 Let me know when you are ready.

3 A I'm there.

4 Q The skills matrix includes a long  
5 list of important skills. One of them I see,  
6 for example, is large-scale customer  
7 experience, but I don't see anything to do  
8 with small business customer experience; is  
9 that correct?

10 A That is correct. But let me  
11 suggest this. By "large-scale customer  
12 experience," and we may have been  
13 inarticulate, this is a work in progress. I  
14 think we met with customer, major  
15 customer-facing experience, could be small  
16 business, could be the big industrials that  
17 are also represented here.

18 We have customers of all sizes. I  
19 was a small business lender. We were number  
20 one SBA lenders in our region for the 10  
21 years I was at the bank. I'm a small  
22 business owner. So I can appreciate the  
23 perspective, how important and often  
24 neglected the small business community is.

25 Q So with that perspective, I have  
26 heard that the change in the Board  
27 constituency may have been 70 to 80 percent  
28 in the last few years. Would you know if the

1 Board level experience with respect to small  
2 businesses has increased or decreased or  
3 stayed the same?

4 A I would be happy to get back to you  
5 with that. I don't have the answer. I  
6 haven't really looked at the skills matrix or  
7 the experiences of the previous board.

8 Q Okay. I'm going to turn now to a  
9 question that was asked by Mr. Abrams to  
10 Mr. Johnson. And I'll read it from the  
11 transcript. My question isn't about if you  
12 are familiar with the transcript, but I think  
13 it will help set the right tone.

14 A Okay.

15 Q The question is: Are there skills  
16 that you feel -- this was the question from  
17 Mr. Abrams -- are the skills that you feel  
18 are not as well represented on the Board that  
19 you think should be there?

20 Mr. Johnson's answer was: That is  
21 a good question. I'm not going to answer it.  
22 My answer is that Chair Nora Brownell will be  
23 available.

24 Now, would you like to answer that  
25 question?

26 A Sure. I think we've added several.  
27 We've added wildfire experience, mitigation  
28 experience. We actually added in the past

1 the customer experience. We've added network  
2 experience, which is how we got Bill Smith  
3 from -- former AT&T executive. I think  
4 customer experience, as I said. We've also  
5 added experience with labor relations.

6 Q In the interest of time, however,  
7 the question though is: Are there skills  
8 that are not represented on the Board?

9 A Yes. I actually think that while  
10 we have some restructuring experts who have  
11 made a huge contribution. We are moving --  
12 when we emerge into a period where we need  
13 someone who has led a major transformational  
14 experience, whether it was an industry  
15 changed by technology, whether it was an IT  
16 turnaround, I really think we are going to  
17 need that experience going forward.

18 Q Well, I appreciate that response.  
19 That leads me into my next question, which is  
20 about the change in responsibility, shift in  
21 responsibility from the public policy  
22 committee to the SNO committee. Now, I see  
23 that a lot of added responsibility being  
24 shifted, wildfire and PSPS events in  
25 particular. How is that being managed with  
26 the low responsibility that already exists in  
27 the SNO committee?

28 A Is your question are they

1     resourced? Are they well enough resourced to  
2     handle that?

3             Q     For instance.

4             A     Yeah. We will certainly make sure.  
5     First of all, CCP, SNO and audit actually  
6     have all worked very closely together. All  
7     of the committees have, but those three  
8     particularly. So the transition will be  
9     orderly with the identification now that CPP  
10    has had some experience of the kinds of  
11    resources they need, the kinds of focus they  
12    need to have any additional support they may  
13    need, either internally or externally.

14            ALJ COOKE: What does CPP stand for.

15            THE WITNESS: Compliance and Public  
16    Policy.

17            ALJ COOKE: Thank you.

18            THE WITNESS: I think I'm going to get  
19    that right.

20                   Who have also begun a very important  
21    initiative I can talk about later.

22            BY MR. STRAUSS:

23            Q     Then, along those same lines, we  
24    heard from Mr. Vesey about the importance  
25    with respect to safety of certain types of  
26    compliance reporting and certain types of  
27    recordkeeping. How do you disentangle the  
28    roles and keep those clear between the

1 compliance side, which I understand is still  
2 on the Compliance and Public Policy  
3 Committee, and SNO Committee  
4 responsibilities?

5           A    I think we are, and I hope this is  
6 responsive to your question, we are  
7 developing a matrix, the beginning of which  
8 is just in its infancy, is in -- under 33 of  
9 the exhibits. And that is to keep a running  
10 tab on all of the commitments that we have  
11 either made through settlements, through  
12 regulatory changes, through judicial orders,  
13 to make sure that we are tracking those. And  
14 there may be overlap with safety and other  
15 kinds of compliance.

16                So, again, we want to make sure  
17 that everyone, the Commission, intervenors,  
18 employees, everyone understands the  
19 commitments we've made so we can hold  
20 ourselves accountable. But also, and I think  
21 this is very important when you are making  
22 rules and commitments, are those rules and  
23 commitments achieving the desired outcome.

24                I've been involved in  
25 transformations and rulemaking for a long  
26 time. And I know that at the FERC we made a  
27 lot of market rules that we realized were not  
28 as effective as we wanted them to be in

1 changing behaviors in the marketplace. So I  
2 think this will be a course of  
3 cross-functional information and tracking.

4 Again, those committees work very  
5 closely together and will continue to do so  
6 for the foreseeable future.

7 Q Then to avoid the risk of anything  
8 falling between the cracks, what process or  
9 procedure do you expect to have in place to  
10 do that?

11 A Again, we are collectively working  
12 within the company to gather in one place  
13 everything that we have committed to.

14 So I've met the other day with the  
15 compliance folks from a number of different  
16 parts of the company to get this project,  
17 let's say, moving a little faster than it has  
18 been. We will do regular review of that at  
19 the Board meeting to make sure we are keeping  
20 track. We will also build a database that  
21 will be able to be updated and corrected,  
22 should it be needed.

23 Q Okay. I just have a couple more  
24 questions.

25 A Sure.

26 Q One of them has to do with  
27 something that Mr. Long raised, which is that  
28 while the shareholders can move on, the

1 customers, given it is a utility monopoly,  
2 are here for the long run. Is there anything  
3 in place that ensures that the safety  
4 commitments are being made now won't be  
5 changed in the future?

6 A Well, I think once you've  
7 committed, been ordered by a judge or a  
8 regulator, or committed in a settlement and  
9 there will now be a public document that we  
10 can all agree on and track, it would be very  
11 difficult without giving some justification  
12 to either change, which you couldn't  
13 arbitrarily do, nor would you want to. You  
14 might in collaboration with others, like the  
15 Commission, say we think this would be a  
16 better way to go about that.

17 Q In terms of mechanisms and not any  
18 mechanism proposed to be in place to give it  
19 priority to these changes?

20 A I don't know what mechanism might  
21 be better than having an ongoing, living  
22 document that is reviewed by the Board and  
23 the management. I'm not sure what other --

24 Q I'm sorry. What is that document?

25 A It is a document, it is in Tab 23.  
26 We are just developing it. Because I said I  
27 would like a list of all the commitments that  
28 we have either made voluntarily in a

1 settlement, have been ordered by the  
2 Commission, have been legislated or have been  
3 ordered as part of the judicial proceeding.  
4 I want them all in one place. I want to  
5 understand who owns that particular  
6 obligation. So that is -- that is a tool of  
7 accountability that we've imposed in a number  
8 of areas, including some audit issues. So we  
9 have an owner, we have the cost, we have the  
10 obligation. And we will begin to track about  
11 what problem that is beginning to serve. It  
12 is not a document that is by any stretch of  
13 the imagination complete. But that will  
14 be -- allow everyone, and we will certainly  
15 make that public when we are confident that  
16 it is accurate, and it will be updated and  
17 public. And I think there is no way better  
18 way to hold people accountable than a little  
19 sunshine on what you've committed to do.

20 Q Then you envision this process will  
21 develop actual specific commitments?

22 A This is a list of commitments we  
23 have made.

24 Q And the commitments will be in what  
25 form, in what document, for instance?

26 ALJ COOKE: Can I interject here? It  
27 looks to me like Tab 23 that Ms. Brownell is  
28 referring to is in PG&E-6, and it is

1 4-EXH.23-1, until the end of that section.  
2 It is in PG&E-6.

3 THE WITNESS: I would --

4 ALJ COOKE: Exhibit 23.

5 (Crosstalk.)

6 THE WITNESS: You are a better woman  
7 than I.

8 I want to say it is in its infancy.  
9 I don't want to give this out as a finished  
10 and complete document. This is beginning of  
11 our desire to have a tracking mechanism so  
12 that we can hold ourselves accountable, but  
13 we can also measure outcomes. We've talked a  
14 lot about outcomes at various hearings here  
15 at the Commission, and I think that is  
16 important.

17 BY MR. STRAUSS:

18 Q What I would like to point out is  
19 that this process doesn't inherently  
20 establish any document that will identify  
21 what the commitment is. It makes the  
22 determination -- as I understand it, the  
23 Commission makes the determination that PG&E  
24 is in compliance. But what it sounds like  
25 you are saying is there is going to be a  
26 document that will identify those  
27 responsibilities as undertaking to maintain  
28 compliance and to maintain organizational

1 structure that prioritizes safety?

2 A That is correct.

3 MR. WEISSMANN: I object to the form of  
4 the question. At least I'm getting very  
5 confused about what kinds of commitments we  
6 are talking about.

7 ALJ COOKE: I think we should move on  
8 from this line of questioning. I think she  
9 has described the document as an infant  
10 document, and you can ask a more specific  
11 question. It is a little bit vague as well.  
12 BY MR. STRAUSS:

13 Q My last question with respect to  
14 Ms. Kane in her role, what processes are in  
15 place to ensure that the person in that role  
16 has -- is independent and there is not  
17 interference with the reporting processes?

18 A I think she is established as  
19 reporting regularly to both the Board, and  
20 she is in our board meetings and the  
21 committees. Her job description in and of  
22 itself, I suspect, will describe the need for  
23 independence. The fact that she is a regular  
24 part of discussions, and the head of CPP  
25 particularly and SNO meet with her regularly  
26 without any interference from anybody, I  
27 think suggests that that process is already  
28 in place.

1           Q    So then my last -- my actual last  
2 question now, follow-up. The Deputy General  
3 Counsel designation, what is the reporting  
4 role in that fashion?

5           A    I'm honestly not sure I understand  
6 the question.

7           Q    I see there is a title here Chief  
8 Ethics and Compliance Officer and the Deputy  
9 General Counsel. I think I understand what  
10 Chief Ethics and Compliance Officer means. I  
11 assume -- I'm sure there is a General  
12 Counsel?

13          A    There is a General Counsel.

14          Q    Would it mean that this person is  
15 also the Deputy General Counsel?

16          A    It means that she has the authority  
17 over compliance in ethics and reports in the  
18 law department, because this is a legal issue  
19 and a legal position.

20          Q    Would she then report to the  
21 General Counsel?

22          A    She would report to the General  
23 Counsel.

24          MR. STRAUSS: Thank you. That is all.

25          ALJ COOKE: Thank you. Let's be off  
26 the record.

27                   (Recess taken.)

28          ALJ COOKE: Let's be back on the

1 record.

2 At this time, we will turn to  
3 cross-examination by Mr. Abrams.

4 CROSS-EXAMINATION

5 BY MR. ABRAMS:

6 Q Good afternoon. I want to start  
7 with picking up where some of the other  
8 questions left off, specifically around where  
9 the interest of shareholders and the interest  
10 of customers diverge.

11 I am a wildfire survivor, as they  
12 call in bankruptcy a "victim." Would you  
13 agree that victims' interests as customers  
14 have largely diverged from the interest of  
15 shareholders?

16 A First of all, let me say I know  
17 what you survived, and it has been horrific  
18 and I can't imagine.

19 But no, I don't actually see where  
20 they've diverged. Maybe you can be more  
21 specific in an example?

22 Q Sure. Yeah. I'll move on, and I  
23 think I'll try to illustrate that in a  
24 question as I go through here.

25 Do you see tying investor return  
26 more specifically to safety as a goal of the  
27 Board?

28 A As I've said, I think there are a

1 number of underlying factors in the financial  
2 success of a company and its ability to pay  
3 shareholders. And safety is first and  
4 foremost among them for a utility. Frankly,  
5 should be for any company, but specifically  
6 for a utility. So I think they are tied  
7 together, because an unsafe company, as this  
8 company has experienced, is unable to pay  
9 shareholders.

10 Q So since the bankruptcy occurred in  
11 2000 have you provided payments to  
12 shareholders?

13 A We have at the low end of the  
14 utility spectrum. I looked at that a couple  
15 of weeks ago.

16 Q Do you not agree that the deferred  
17 maintenance across your infrastructure has  
18 not occurred?

19 MR. WEISSMANN: I'm sorry. I object to  
20 the form of the question. I got lost in the  
21 negatives.

22 ALJ COOKE: I did too, to be honest.

23 MR. ABRAMS: I'll rephrase the  
24 question. I apologize.

25 Q Deferred maintenance, do you  
26 believe that deferred maintenance across the  
27 infrastructure has occurred?

28 A I think there are a number of

1 issues that have affected the safety  
2 performance of this company. It certainly  
3 has been found that deferred maintenance,  
4 vegetation management, as well as  
5 dramatically different climate conditions,  
6 have affected the performance.

7 Q Okay. With all due respect, I'm  
8 asking your opinion. I know that is what has  
9 been found. I'm asking do you agree that  
10 deferred maintenance across the  
11 infrastructure has occurred?

12 A I agree that it has, in some  
13 instances, occurred.

14 Q Do you not see that as evidence  
15 that investor interests and short-term yield  
16 has been provided without putting those  
17 investments into the infrastructure?

18 A I actually can't say that  
19 conclusively. I think among the issues that  
20 I see are inadequate inspections. For  
21 example, we now know and are using more  
22 extensively technology to inspect our  
23 infrastructure. Some of the visual  
24 inspections simply were not adequate to  
25 determine the actual conditions. So we are  
26 making changes in --

27 Q I appreciate that. I'm not asking  
28 about inspections right now. If I can, I'm

1 just asking about a very specific thing. Let  
2 me rephrase, because I know a part of it may  
3 be how I'm asking the question. I'm not an  
4 attorney. I'm not used to this.

5 A Neither am I, and nor am I.

6 Q All right. Basically what I'm  
7 asking is: There is a million dollars that  
8 the company, PG&E, can do with. They can  
9 either choose to put all or some as a return  
10 to their investors, or they can put all or  
11 some into replacing C-hooks or putting in  
12 more covered conductors.

13 And do you not see that sometimes  
14 those trade-offs could be compromised? And  
15 do you not see that that was part of the  
16 contributing factors to the current state of  
17 things? ]

18 A I'm going to try and answer your  
19 question because it's more complicated than  
20 that. I have not seen evidence that  
21 tradeoffs as you suggest to pay investors  
22 over investing in infrastructure or safety  
23 have occurred. But let's consider that the  
24 utility model in this country and others was  
25 developed to attract long-term inexpensive  
26 capital. In order to continue to do that,  
27 companies paid dividends. As I said, this  
28 company relative to its utility peers has

1 paid for quite some time at the low end of  
2 the spectrum, now is not paying at all.

3 What I see is not merely deferred  
4 maintenance but inadequate maintenance that  
5 is not necessarily driven by a willingness to  
6 invest or not invest. It's driven by a  
7 number of factors. I will let -- go ahead.

8 Q I am sorry. I appreciate that. I  
9 know there's lots of factors. Again, I am  
10 just trying to focus on this one factor,  
11 which is clearly I think and you have stated,  
12 that deferred maintenance is at least part of  
13 the equation. I am not saying it solves  
14 everything because there are lots of other  
15 issues. What I am asking is: Is that not --  
16 part of the issue, is that in some cases  
17 investor interest, as you said, attracting  
18 those investors and keeping those investors  
19 has been more of a priority than replacing C  
20 hooks that have failed or jumpers that have  
21 failed or all of the infrastructure that is  
22 related to failures and fires and loss of  
23 life and loss of structures, that that is not  
24 part of the problem of PG&E?

25 MR. WEISSMANN: Objection. Asked and  
26 answered.

27 ALJ COOKE: Agreed. Please move on to  
28 the next question.

1 BY MR. ABRAMS:

2 Q I think it was -- so part of what  
3 you stated earlier was that the reason why  
4 shareholder interests and the interests of  
5 customers are aligned are because when  
6 there's a big fire those interests come  
7 together.

8 Do you not agree, and I appreciate  
9 that I'm also asking a double negative -- do  
10 you not agree that waiting for fires and  
11 penalties has been ineffectual in terms of  
12 creating change for PG&E?

13 A I don't think PG&E nor its  
14 employees are waiting for fires. I don't  
15 think -- I think one could argue, and it has  
16 been argued that PG&E was not as fast in  
17 responding to what clearly were the impacts  
18 of climate change. So I think they were slow  
19 to follow San Diego Gas & Electric's  
20 example, which is a really good one. And I  
21 visited them. My employees have visited  
22 them. But I think to suggest that anyone was  
23 waiting for a fire to change behavior doesn't  
24 represent what I've seen.

25 Q So when you describe that investor  
26 interests and customer interests are aligned  
27 because fires are something that is to the  
28 detriment of both investors and customers,

1 are there things that are more leading  
2 activities that are aligned with those  
3 interests, rather than the fires or the  
4 penalties?

5 MR. WEISSMANN: Objection to the form  
6 of the question.

7 THE WITNESS: I don't understand the  
8 question.

9 ALJ COOKE: I don't think I understand  
10 the question as well.

11 MR. ABRAMS: All right. I will  
12 rephrase.

13 ALJ COOKE: Thank you.

14 BY MR. ABRAMS:

15 Q My understanding and you can  
16 correct me if I'm wrong was that you  
17 described the interests of shareholders and  
18 the interests of customers as aligned because  
19 both of them of course don't want to have  
20 fires occur. And what I'm asking are: What  
21 are the other ways, prior to those fires  
22 occurring, when you are coming to the dollars  
23 and cents of things? Are those interests  
24 aligned through the actions of the  
25 corporation?

26 A I am going to give it a shot,  
27 Mr. Abrams, but I am still not sure I  
28 understand.

1 Q Thank you. All right.

2 A Well-managed companies have a  
3 greater likelihood of attracting financial  
4 investment. That only -- that certainly in  
5 this case, one of the things investors look  
6 at is our safety record. But well-managed  
7 companies also have strong performance in  
8 many ways, have clear transparent financials,  
9 have strong data, have good customer ratings.  
10 There are a lot of measures, all of which are  
11 important, and many of which concern  
12 customers.

13 So, I don't think -- if I am  
14 grasping your question, wildfires or safety  
15 issues are certainly the most paramount and  
16 certainly the biggest commitment that we  
17 have. There are many things that can go  
18 wrong in a company.

19 Q Thank you.

20 A Does that get there?

21 Q Yeah. I appreciate that. Let me  
22 do a follow-up.

23 A Okay.

24 Q So companies where there's a  
25 competitive environment drives success  
26 because you want to beat out your  
27 competition.

28 In PG&E, a monopoly, you can call

1     it a natural monopoly, those competitive  
2     pressures don't exist to that extent. How do  
3     you create the incentives for a company that  
4     doesn't have to innovate their C hook,  
5     because if they don't do it their customer  
6     will beat them out. How do you provide  
7     incentives that that becomes a priority as  
8     opposed to what the incentives are in the  
9     competitive space?

10           A     Well, first of all, I am a big  
11     believer in markets but this is a natural  
12     monopoly and the origin of the regulatory  
13     system in our county is to superimpose that  
14     -- what would be competitive pressure. It's  
15     a challenge, having been a regulator, I can  
16     tell you, but the fact of the matter is when  
17     you have natural monopolies that are so  
18     critical to communities, it's really  
19     important to have that regulatory compact and  
20     that regulatory structure.

21                     But there are lots of ways. There  
22     are lots of ways that companies are incented  
23     to do the right thing. Again, I have spent  
24     time with our employees and the pride that  
25     they take in doing the job that they do. I  
26     think it is commendable, particularly under  
27     the circumstances in which they have been  
28     operating, but I think it behooves the

1 company to give adequate tools, adequate  
2 training, pay people for performance, make  
3 sure the metrics are clear, but also make  
4 sure the metrics are reasonable. If you have  
5 a limited amount of time to do an inspection,  
6 you might be a little more casual than you  
7 wanted to. Any company, however, has to  
8 allocate capital according to what they  
9 determine is its needs.

10 One of the things we're working on  
11 is a better asset management understanding  
12 and better data so we can manage those assets  
13 more carefully and with a greater positive  
14 outcome for our safety record.

15 Q So, the allocation of capital to  
16 its needs and regulatory proxies for the  
17 competitive marketplace --

18 A Among others.

19 Q Among others?

20 A I listed a lot.

21 Q Do you not see that part of what  
22 could be done in this Plan of Reorganization  
23 and the regulatory structure that could come  
24 out of it is to tie more-specific regulatory  
25 controls over the allocation of capital so  
26 that the public can understand and trust that  
27 PG&E is going to spend that allocated capital  
28 towards the things that are around our safety

1 as opposed to other areas that the business  
2 might want to put those resources towards?

3 A Well, first of all, again having  
4 been a regulator, it puts the regulator in a  
5 tough position. You're asking them to  
6 effectively manage a company and I am not  
7 sure that's a role they would choose -- well,  
8 I am not sure that's a role that's  
9 appropriate nor one that they would choose to  
10 play.

11 A company can be held accountable  
12 for how it manages and I think the Commission  
13 has done that and continues to do that as do  
14 others.

15 So I think deciding how a company  
16 allocates its capital is probably not the  
17 right answer. The right answer is to have a  
18 management team in place with well-trained  
19 employees who are incented to do the right  
20 thing. And I have never seen a decision in  
21 this company where people purposely make a  
22 choice to put safety as a secondary  
23 commitment. I haven't seen it. We may not  
24 have been artful. We may not have been  
25 efficient. We may not have done as many  
26 things done as we would like, but the reality  
27 is it is and will remain a priority.

28 And capital is allocated according

1 to need and there are asset management  
2 structures, again which we're trying to  
3 improve, to look at the fundamental  
4 components of our assets.

5 Q So are you not aware of the  
6 falsification of documents that has occurred  
7 within PG&E?

8 A I am aware of the falsification of  
9 documents.

10 Q So was that intentional?

11 A I wasn't -- I cannot speak to what  
12 employees chose to do or not to do.

13 Q I thought you just -- sorry, but I  
14 thought you just stated for the record that  
15 you were not aware of employees doing  
16 intentional things to the detriment of the  
17 company and safety?

18 A You're asking me to assign a  
19 motive. I am aware that employees have  
20 falsified records. I am absolutely aware of  
21 that. I cannot tell you what motivated them  
22 to do that. I thought you were suggesting  
23 motivation.

24 Q So, through the investigations into  
25 those incidences, as the Chair of the Board,  
26 what have you found as the motivations of  
27 those employees?

28 A I am trying to -- there have been

1 one incident since I've been there and I  
2 can't tell you what the motivation was. I  
3 can't tell you. I think they were terminated  
4 because we can only have zero tolerance for  
5 people who intentionally falsify records.  
6 Why they falsified records, I can't tell you.

7 Q Do you not think it's the Board's  
8 responsibility to understand what might have  
9 motivated staff to falsify records so it does  
10 not happen again?

11 A Absolutely. And I can't answer  
12 that question. So there are a variety of  
13 things that can motivate people to make the  
14 wrong choice. They felt under pressure, you  
15 had the wrong metrics, you didn't have the  
16 right tools, people didn't understand. It's  
17 a paper-driven system and people actually  
18 make mistakes, but I am not a psychiatrist.  
19 So I can't tell you why individuals choose to  
20 make the wrong choices. I just can't tell  
21 you that.

22 Q I know there's a whole host of  
23 reasons why that could occur, but I also have  
24 worked for a lot of companies. And when  
25 there's a transgression like that, typically  
26 there's an investigation and part of that  
27 investigation would say, "What motivated  
28 this, so it doesn't happen again?"

1                   And are you saying that nothing  
2     like that has occurred or that the Board  
3     thought to investigate, not in general all  
4     the plethora of things or become a  
5     psychiatrist and try to understand what was  
6     in people's heads, but clearly there was some  
7     evidence that you could look to, to  
8     understand what drove that activity so you  
9     could ensure that it doesn't happen again.  
10    Doesn't that make sense and fit within the  
11    purview of the Board?

12                A     It does and perhaps I was not  
13    clear. In every instance there is an  
14    investigation, in absolutely every instance.

15                   In every investigation, there is an  
16    attempt to determine why people did what they  
17    did. And I have given you the various  
18    reasons.

19                Q     I will --  
20                   (Crosstalk.)

21                ALJ COOKE: You can't talk over one  
22    another.

23                MR. ABRAMS: I apologize.

24                ALJ COOKE: Okay. Please continue,  
25    Ms. Brownell.

26                THE WITNESS: So, there have been a  
27    variety of investigations. If you're asking  
28    about a specific investigation, I don't know

1     which one it is, nor might I have all of the  
2     details at hand. I am giving you a picture  
3     of the results of a number of investigations  
4     about which I, a Board member and others,  
5     have been made aware, and the Board has taken  
6     steps to address some of those issues.

7             For example, we found metrics that  
8     gave too limited of time to inspect, as I  
9     said earlier, transmission towers. So we've  
10    said that is not really a good metric. The  
11    number that you do a day is perhaps not a  
12    good metric. It may suggest to people that  
13    they need to ignore certain things, not file  
14    reports on certain things.

15            Another very common thing that we  
16    found is when people are using paper, they  
17    not only make mistakes, they make choices in  
18    filling out that are not adequate to  
19    determine -- to create an appropriate record.

20            So we're deploying more and more  
21    tablets and I have asked them to escalate  
22    that deployment so that you will have  
23    templates where you have to fill out a form  
24    accurately or you -- you have to answer each  
25    question within a certain range of answers.  
26    You can't say "n/a" or you can't go on.

27            So I am just giving you some  
28    samples. Are there people who --

1 Q Sorry.

2 A Sorry. Go ahead.

3 Q I appreciate that. I am not really  
4 looking for samples. If this is the answer  
5 to my question, that's fine. But what I am  
6 asking is for these -- I mean, it's been  
7 clearly reported out, right, that there were  
8 falsifications of documents.

9 So for those specific instances,  
10 not in general a sample of what could  
11 possibly happen, was it time for those  
12 incidences, time pressures and the fact that  
13 it was on paper that caused them to be  
14 motivated to falsify documents?

15 MR. WEISSMANN: Wait, wait, wait. I am  
16 going to admonish you not to divulge  
17 privileged information.

18 THE WITNESS: Okay.

19 ALJ COOKE: In the example that you  
20 gave, Ms. Brownell, of just a moment ago,  
21 were those examples from a particular  
22 proceeding that the Commission has before it  
23 or has recently resolved?

24 THE WITNESS: I honestly, I can't tell  
25 you.

26 ALJ COOKE: Okay.

27 THE WITNESS: But they are personnel  
28 issues so they are, you know, specific

1 issues.

2 ALJ COOKE: Okay. I think that each  
3 set of specific violations or charges in  
4 particular enforcement proceedings are part  
5 of the enforcement proceeding itself. What  
6 here we are focused on is the government's  
7 role for purposes of emerging from  
8 bankruptcy.

9 So can you -- one more shot at  
10 getting the answer that you're looking for,  
11 Mr. Abrams, related to this topic and then  
12 let's move on to the next question.

13 MR. ABRAMS: Sure.

14 THE WITNESS: We'll get there.

15 MR. ABRAMS: I am not sure we will,  
16 given the response from counsel.

17 Q But we are here to discuss how PG&E  
18 resolve bankruptcy and come out with a  
19 safety-oriented culture. Any corporation  
20 that I have been associated with, part of the  
21 safety culture is transparency. Part of the  
22 transparency is investigating -- a proper  
23 investigation before you're legally obligated  
24 to do so, to find these answers and provide  
25 transparency so that the public can have more  
26 trust in the corporation that you're not  
27 going to burn our houses down any more.

28 So this goes to that central point.

1 For these specific instances, are you able to  
2 tell us the investigation and the motivations  
3 associated with those personnel that you have  
4 been able to find out and ascertain?

5 A Mr. Abrams, we always do an  
6 investigation. So let me just be very clear  
7 about that. The results of those  
8 investigations are reported to various  
9 committees of the Board and the Board itself.

10 We examine the causes of what drove  
11 people to do -- to the extent that they have  
12 acknowledged and by the way, people don't  
13 always acknowledge. To the extent that we --  
14 they have acknowledged and we have examined,  
15 I have given you the range of reasons that  
16 people give us. I can't say that anyone has  
17 ever said, "I purposely set out to lie to  
18 you."

19 Q So what did you take away from  
20 those investigations in terms of a changed  
21 culture? What did you do as an action to  
22 ensure that PG&E wouldn't have any more  
23 falsification of documents?

24 A The Board has worked with  
25 management to do a variety of things,  
26 including as I have mentioned, setting more  
27 appropriate metrics, giving people technology  
28 that will make it easier for them to do their

1 jobs and easier for them to report accurate  
2 data, holding people --

3 Q Okay.

4 A I am not finished. Holding people  
5 accountable even though traditionally when  
6 people are terminated we might be grieved, we  
7 just have to have zero tolerance.

8 And the fourth thing I would say  
9 and there are lots, is better training,  
10 having people understand the import of their  
11 behaviors.

12 Q Thank you. You mentioned that  
13 there's wildfire mitigation experience that  
14 has been added to the Board. Can you  
15 describe that wildfire mitigation experience?

16 A It's been recently added to the  
17 matrix which has been a work in programs. We  
18 are working with two search firms, one of  
19 which is giving job descriptions for the  
20 Non-Gov Committee and the Board to review.

21 So I don't have a fulsome  
22 definition of that at this moment in time,  
23 but we will have a job description.

24 Q So currently that does not exist on  
25 the Board?

26 A It does not exist on the Board. It  
27 does exist on our Safety Advisory Committee  
28 that is headed by Chris Heart. We have a

1 former CAL FIRE, I think he's a Battalion  
2 Chief, who has been added to that, and  
3 they're advising both management and the  
4 Board.

5 Q And I know you're new to your  
6 position, so do you think it was not a  
7 failure prior to your arrival that they  
8 didn't recognize due to the many fires that  
9 they needed to ensure that someone who had  
10 that experience was on the Board prior?

11 A I really don't feel comfortable  
12 passing judgment on people when I wasn't  
13 there.

14 Q No problem. Thank you.

15 You mentioned that you were looking  
16 to bring someone who would be able to provide  
17 major transformational experience.

18 Given that Mr. Johnson stated in  
19 his hearing in this hearing room, that his  
20 role was not to inspire but to just provide  
21 purpose, how do you expect with him in that  
22 role that you're going to get  
23 transformational and inspiring leadership in  
24 PG&E?

25 MR. WEISSMANN: Objection. That  
26 mischaracterizes Mr. Johnson's testimony.

27 MR. ABRAMS: I believe it's directly  
28 quoted from Mr. Johnson. He stated, "It's

1 not my role to inspire. I can give purpose."

2 MR. WEISSMANN: He went on to provide a  
3 lot more testimony on that topic.

4 ALJ COOKE: The witness can answer to  
5 the best of her ability.

6 THE WITNESS: I am not going to comment  
7 on what Mr. Johnson said. I wasn't there and  
8 I haven't read the transcript. Although I  
9 have seen the leadership he has provided in  
10 employee meetings and I would call it  
11 transformational even if he would not, or  
12 inspirational. What I am talking about is  
13 attracting someone to the Board who has been  
14 through major transformation of an industry.

15 So I came from banking to the  
16 Pennsylvania State Commission and I was  
17 recruited specifically because I had been  
18 through the transformation of the banking  
19 industry and they were going through  
20 restructuring in Pennsylvania.

21 So I think it would be helpful and  
22 by the way this is me, we are still working  
23 on the matrix, I might get outvoted but I  
24 don't think so, that I think it would be  
25 hugely helpful to get somebody who has been  
26 through, for example, a major IT  
27 transformation; major transformation because  
28 of the technology changes, not what has

1 happened, for example, in the healthcare  
2 industry.

3 Q Are there examples, because I  
4 appreciate that -- are there examples of  
5 corporations that you can point to that have  
6 been through a bankruptcy and arose that you  
7 feel are like examples for PG&E and how you  
8 can overcome these obstacles?

9 A You know, that's a good question.  
10 And off the top of my head, I am actually not  
11 able to come up with that, but it would be a  
12 conversation I would be happy to have.

13 I have looked a lot at what it  
14 takes to be a transformational leader and I  
15 have looked at industries where, in fact you  
16 see it happening right now at G&E as they  
17 restructure themselves, not having been  
18 through bankruptcy, but I would have to  
19 really think about that. But it's a  
20 thoughtful question.

21 Thank you.

22 Q Thank you. If there is, as you  
23 stated a mass failure in safety, do you feel  
24 like that that is a lagging indicator of  
25 performance?

26 MR. WEISSMANN: Object to the form of  
27 the question. I don't remember her using the  
28 term "mass failure in safety."

1 ALJ COOKE: Can you point us to where  
2 that comes from, Mr. Abrams?

3 MR. ABRAMS: It was stated in earlier  
4 testimony.

5 MR. WEISSMANN: Objection.

6 ALJ COOKE: Can you rephrase your  
7 question, Mr. Abrams?

8 MR. ABRAMS: I'll just skip the  
9 question. I made note of it when she said  
10 it, but I will move on.

11 Q So as a victim, I am soon to  
12 become, if this Plan of Reorganization comes  
13 through, part of a major shareholder class of  
14 Pacific Gas and Electric. I described this  
15 issue with Mr. Wells and asked his opinion on  
16 it and I will ask you the same: If  
17 shareholders are now -- these major  
18 shareholders are now also customers, rates  
19 when they change, increased rates, given the  
20 wide price elasticity associated with a  
21 natural monopoly increases in rates benefit  
22 shareholders, but they do not benefit  
23 customers to have increased rates because it  
24 affects affordability. So how do you see  
25 that playing out with the next fire or the  
26 next need for capital? How do you see that  
27 playing out in terms of the tear for a  
28 wildfire victim who wants to see return on

1     their investment while at the same time  
2     looking to make sure rates are low?

3             MR. WEISSMANN:  Objection to the form  
4     of the question.

5             ALJ COOKE:  The question got a little  
6     long for me.  My coffee has worn off.  Could  
7     you try to shorten it a little bit?

8             MR. ABRAMS:  Absolutely.  It was  
9     long-winded.  So I fully admit.

10            Q     Raising rates, I am now a  
11     shareholder victim customer.  I have  
12     interests as my -- as a shareholder for  
13     increasing rates so that I get a greater  
14     return on my investment.  As a customer, I  
15     want lower rates and my neighbors want lower  
16     rates.  How is that going to be treated now  
17     that you have this new 21 percent shareholder  
18     class within PG&E?

19            A     I am not sure I entirely  
20     understand.  But I understand inherently that  
21     you feel perhaps a conflict.

22                   First of all, we do not go in for  
23     rate increases in order to give greater  
24     returns to shareholders.  We go in for rate  
25     increases, and the Commission is pretty  
26     disciplined about this, to be able to fund  
27     needed expenditures to serve customers  
28     reliably, safely and affordably and certainly

1 I know that they take all of those into  
2 consideration.

3 So the premise of your question, I  
4 think is one which we are probably just not  
5 on the same page. And yet as a shareholder,  
6 you may or may not choose to continue to own  
7 that stock. That's a possibility. Those  
8 were settlements to which I was not -- with  
9 which I was not involved. So the outcome I  
10 think would best be discussed with the people  
11 who negotiated them.

12 Q Okay. So you're aware that in the  
13 year 2000 PG&E also was in bankruptcy?

14 A I am aware of that.

15 Q Are you aware upon the exit of  
16 bankruptcy, Commissioner Loretta Lynch at the  
17 time stated: I think we are moving -- we are  
18 in a more -- we are more vulnerable than  
19 ever.

20 Does this give you the sense that  
21 we have been here before?

22 MR. WEISSMANN: Objection. Lacks  
23 foundation. We don't know the context of  
24 that remark. ]

25 ALJ COOKE: I agree. It does lack  
26 foundation. But I think the question can be  
27 answered to the best of the witness's  
28 ability.

1           THE WITNESS: I knew Commissioner  
2     Lynch, and we worked together to resolve many  
3     of the market issues that were facing  
4     California, along with the infrastructure  
5     issues. But I honestly don't know why she  
6     said that. So it is hard to answer.

7           The circumstances of that bankruptcy  
8     were entirely different than this. So it may  
9     not be apples to apples. I don't feel, given  
10    the bankruptcy process and the rigor with  
11    which bankruptcy judges manage those, they  
12    would have emerged from bankruptcy with the  
13    concept that they were weaker. So I think --  
14    I'm just, you know, I don't know why she  
15    thought that.

16    BY MR. ABRAMS:

17           Q     Are you aware that after that  
18    bankruptcy the chairman at the time, Robert  
19    Glynn, Jr., was awarded 17 million, and  
20    Gordon Smith received \$10 million? Are you  
21    aware of that?

22           MR. WEISSMANN: Objection. Foundation  
23    and relevance.

24           #08: The relevance is -- or, sorry.

25           ALJ COOKE: You can explain what you  
26    think the relevance is, then I'll rule.

27           #08: The relevance is I'm trying to  
28    understand if those types of things will be

1 done with this bankruptcy.

2 ALJ COOKE: The objection is sustained.  
3 You can ask that question.

4 #08: Okay.

5 Q Will those types of awards be  
6 provided postbankruptcy this time around?

7 A We've recently redone our  
8 compensation plan, which is part of our plan  
9 of reorganization, which I believe has both  
10 short-term and long-term metrics that are  
11 clearly associated with safety. And I can  
12 assure you both the compensation committee  
13 and the Board have the authority to reduce --  
14 to reduce anything that they see fit, based  
15 on a catastrophic safety event, or any kind  
16 of major event that would lead one to  
17 conclude they had not behaved appropriately  
18 or responsibly.

19 I actually have been involved in a  
20 situation on a board where we reduced  
21 compensation because of a safety incident.  
22 So I wouldn't hesitate to do so. I don't  
23 envision that.

24 Q Are you aware through this  
25 bankruptcy the victim class was the only one  
26 being compensated with shares?

27 A Again, as I said, I did not  
28 negotiate that settlement. So I think that

1 question -- I am aware of it, but I think how  
2 it came to be and why it came to be is best  
3 left to those who were at the negotiating  
4 table. I know that there were legal  
5 representatives. I would encourage you to  
6 have that conversation.

7 Q I understand you are aware.

8 As the chair of the Board, do you  
9 think it is fair that the entrenched  
10 investors were not compensated with shares,  
11 but that victims are given stake in a company  
12 that burned their homes down and decimated  
13 their lives?

14 A As I acknowledged to you earlier, I  
15 understand your discomfort, perhaps distaste,  
16 certainly can understand that. I did not  
17 negotiate that arrangement. And I think the  
18 answer to your question, I think while I'll  
19 acknowledge kind of maybe some of the ethical  
20 dilemma or discomfort you may feel, I didn't  
21 negotiate it. So I can't really comment.

22 Q Have you been familiar at all with  
23 the letters that have been coming in from  
24 victims into the bankruptcy court docket?

25 A I've read about them, yes.

26 Q Okay. Have you understood from  
27 those letters that they go well beyond  
28 discomfort with that agreement?

1           A     I understand this is a very  
2     emotional topic, I understand the inherent  
3     conflicts that people feel. And I recognize,  
4     you know, the feelings are raw here. This is  
5     a -- people have been through horrible  
6     things. So I'm certainly aware of what  
7     they've said, and I'm sure the judge will  
8     consider it.

9                     But, again, I have to tell you, Mr.  
10    Abrams, I was not involved in that  
11    settlement. And I think you would really be  
12    better served to have this conversation with  
13    the people who were.

14           Q     I'm not having a conversation about  
15    it. I'm asking you your opinion as the chair  
16    of the Board. Do you think it is fair, is  
17    the question.

18           MR. WEISSMANN: Objection. Asked and  
19    answered.

20           MR. ABRAMS: It was not answered.

21           ALJ COOKE: It was answered to the best  
22    of her ability. Next question, please.

23           MR. ABRAMS: Okay.

24           Q     You indicated in your testimony  
25    that you are an independent board chair. I  
26    know you described this a bit earlier. But  
27    is there anything you would like to elaborate  
28    on regarding how the Board is independent?

1           A     I could lax eloquence, I'm sure,  
2     for a long time. I'm not sure on a Friday  
3     afternoon people want to hear that.

4                     I am very comfortable, let me say  
5     this with absolute certainty, that the Board  
6     individually and collectively is acting in  
7     the best interests of what they call the  
8     "estate in bankruptcy," which includes a lot  
9     of things. So I am very comfortable with the  
10    behavior and commitment to the Board -- of  
11    the Board, excuse me.

12           Q     Let me state, in case it wasn't  
13    apparent, I'm not looking for a job through  
14    this question, but I will ask it anyway. It  
15    has been recommended by some that you  
16    consider having a wildfire victim represented  
17    on the Board. Is that under consideration?

18           A     Not at this moment.

19           Q     On page 4-4, line 19 of your  
20    testimony, you state: Holding the CEO and  
21    management accountable for results is a  
22    primary objective.

23                     Can you describe the degree to  
24    which the Board has had success with this  
25    over the past few years?

26           A     I can't speak to the Board for the  
27    past few years, because I've been here what  
28    seems like a lot of years, but it has been

1 almost less than a year.

2 Have we had success? I think we  
3 have a good working relationship with the CEO  
4 and management. I think we are agreed that  
5 we want to drive change. I think the Board  
6 has been very clear about certain things,  
7 like the pace of change, which we would like  
8 to see increase about the need to focus on  
9 certain specific business practices, which we  
10 feel need to be improved, particularly to  
11 support better safety operations like the  
12 data issue. And I'm not talking merely about  
13 the data that you were referencing earlier in  
14 terms of recordkeeping. I'm talking about  
15 our overall ability to integrate and manage  
16 desperate data systems, because we are not  
17 getting the full picture of what we want.  
18 Which is why we are about to engage a  
19 well-known firm that has solved this asset  
20 management problem in a large way by the  
21 airlines industry, who also do a lot of work  
22 for government, and have worked for some big  
23 telecom companies, with whom we've spoken.

24 Q On page 4-6 -- and I see your  
25 counsel checking the time, so I'm going to  
26 try to move quickly -- on page 4-6, line 1  
27 through 4, you indicate diversity is  
28 important, then you talk about gender

1 diversity. How are you looking to get other  
2 diversity, economic, racial and other types  
3 of diversity, on the Board?

4 A Certainly that is part of our  
5 refreshment process. So we have in fact made  
6 a commitment to increase the number of  
7 Californians. But I'm always committed. We  
8 have five women now, we want to increase  
9 that. We have some demographic diversity  
10 that -- or ethnic diversity that I think we  
11 certainly want to maintain, if not enhance.

12 When you read the too many board  
13 attachments that I have from experts, from --  
14 and investors, from best corporate practices,  
15 the issue of diversity of experience,  
16 diversity of background is critically  
17 important. And I myself have had the benefit  
18 of that with people coming from different  
19 business experiences, having different  
20 skills. I think we've all been enhanced by  
21 this process. I certainly would want to  
22 maintain that for the future.

23 Q So it is currently -- let me ask  
24 this: So it is currently not a goal of the  
25 Board recruitment process to have economic  
26 diversity folks who have a low-income  
27 background, or racial diversity, having more  
28 black representatives on the Board?

1           A     It is the goal of the Board  
2     refreshment process to focus on the skills  
3     that have been identified in that matrix  
4     because, first and foremost, that is  
5     important for the appropriate oversight. But  
6     certainly we want as much diversity as we can  
7     and that bring those skills. It is how we  
8     got five women and the current ethnic  
9     diversity that will continue to be a focus.

10           Q     Okay. At the bottom of page 4-17  
11     you indicate that a board must be agile.  
12     What do you mean by "agile"?

13           A     "Agile" in -- there is a couple of  
14     different ways. First of all, "agile," in  
15     the terms of this board, is that you need to  
16     the have adequate time. You really need to  
17     be prepared to spend a lot of time. That may  
18     not seem like agile, but I think it is.

19                     Secondly, you need to prioritize  
20     and reprioritize as concerns change, as rules  
21     change, as regulations change, as technology  
22     changes. That is one of the things that I  
23     think the utility industry has been  
24     challenged by, just in my experience. That  
25     isn't maybe a view universally changed,  
26     shared. But I think we need to be quicker to  
27     adapt new ways of doing business. I think we  
28     need to look at, for example, other

1 businesses. Not every utility is a leader in  
2 every business practice. So I think you need  
3 to look outside the normal course of  
4 business. So there is a lot of different  
5 ways.

6 Q Thank you.

7 You mentioned in earlier testimony  
8 that you've changed some of your procurement  
9 practices, and now you are expecting to have  
10 an RFP before you sign the contracts. Part  
11 of what I understand through this process  
12 that is occurring right now is in a lot of  
13 ways similar to that.

14 My question is this: Is asking the  
15 Commission, parties in this room, victims who  
16 are currently being solicited for their vote  
17 prior to a plan even being inked, premature?  
18 And like you have asked to change your  
19 procurement processes to have the RFPs first,  
20 should we not be looking at having a solid,  
21 finished plan before we are having this type  
22 of proceeding?

23 A I think we are working very hard,  
24 A, to provide a comprehensive, robust plan.  
25 People may differ on how robust, or certain  
26 elements of that plan. But I think we are  
27 all striving to get -- emerge from bankruptcy  
28 as soon as possible, because we want to pay

1 the victims. I think that is driving -- I  
2 think that is why everyone is focused on that  
3 June 30th date.

4 So in a perfect world, or in many  
5 bankruptcies, this bankruptcy would go on for  
6 years. But no one believes that is in the  
7 best interest of the victims, of the state of  
8 California, of the customers and of the  
9 company itself.

10 Q You don't think there are people  
11 that feel like this is a rushed process?

12 A I'm sure there are people that feel  
13 this is a rushed process. Everyone is  
14 entitled to their opinion, Mr. Abrams.

15 Q Thank you.

16 A I'm simply telling you that, first  
17 and foremost, while transforming a company,  
18 we also want to make sure that victims get  
19 paid.

20 Q Would you not expect that, like an  
21 RFP, we should be looking at measurable  
22 things that might be like an SLA, a service  
23 level type agreement, baked into this plan of  
24 reorganization so that we aren't reliant upon  
25 subjective measures that we actually have,  
26 specific metrics tied to investor return,  
27 tied to executive compensation so that we no  
28 longer have to trust this time around that

1 PG&E will do the right thing?

2 MR. WEISSMANN: Object to the form of  
3 the question.

4 ALJ COOKE: The witness can answer to  
5 the best of her ability.

6 THE WITNESS: Well, I think you've  
7 already seen a compensation plan that has  
8 very clear objective metrics according to --  
9 and very specifically, actually, we started  
10 to do that before 1054 and the Commission's  
11 proceeding. But we are trying to have  
12 verifiable objective metrics that are tied to  
13 safety and all the metrics under safety.

14 There are a lot of things that we  
15 can all ask for, but we need to remember that  
16 this is a business. And if there are too  
17 many limitations and too many rules,  
18 particularly rules that are a challenge to  
19 enforce or who are not -- that are not well  
20 understood, we really won't attract -- the  
21 goal is ultimately to attract the long-term  
22 investors that you had before, the CalPERS,  
23 the CalSTERS, the Vanguard. Nobody seems to  
24 like the hedge funds. Well, we need to  
25 attract those long-term investors. If you  
26 put too many restrictions that are not  
27 understood, or do not lead to a company that  
28 is held accountable but is run like a

1 business, I think you limit the  
2 opportunities.

3 But, again, reasonable people can  
4 disagree on what they want to see in the  
5 plan.

6 Q Yes. Thank you.

7 ALJ COOKE: Just as a time check. You  
8 have just under five minutes.

9 MR. ABRAMS: Okay. I will make sure I  
10 adhere to that. Thank you.

11 Q Do you understand the difference  
12 between activity metrics and  
13 performance-based metrics?

14 A I do. I think I do. I should.

15 Q All right. Do you feel that the  
16 Board should be making sure that throughout  
17 the company there are performance-based  
18 metrics and that ties to compensation and not  
19 activity-based metrics on the whole?

20 A Couldn't agree with you more.

21 MR. ABRAMS: Thank you. I'll leave it  
22 there. Thank you.

23 ALJ COOKE: Thank you.

24 Commissioner Rechtschaffen, you had  
25 a few questions?

26 COMMISSIONER RECHTSCHAFFEN: I do.  
27 Thank you.

28 ///

EXAMINATION

BY COMMISSIONER RECHTSCHAFFEN:

Q Ms. Brownell, thank you for your testimony. Nice to see you again.

A Nice to be back.

Q Do you have a view about how regionalization, how PG&E's operation could improve safety?

A Commissioner, I think we are in the earlier stages of planning. I have been on the Board of National Grid, which has a regional structure. It is done state by state. And I think if you build in the right structure, if you build in the right metrics, it can and should. But, overall, I think the stated goal of regionalization is to get closer to the customer, admirable, you know, all those things.

I think changing safety has to be an enterprise level initiative. I'm really pleased that we are finally getting a Chief Safety Officer who brings vast industrial experience so that we can operationalize and really drive down metrics that change safety.

So regionalization can. I can't say, my current understanding of the plan, which is very early stages, that it necessarily will. I'm not being vague. I'm

1 saying I think it is a desirable goal. I  
2 think it depends on how you structure it and  
3 how it is executed.

4 I also think that enterprise wide,  
5 we can't have pockets of different metrics  
6 and different perceptions in the same way  
7 we've changed our operating risk management  
8 system instead of at a very granular business  
9 based, you know, bureau by bureau, director.  
10 It is event based and much more broadly  
11 understood and able to be measured. I don't  
12 want to lose sight of that. There are  
13 benefits to regionalization, there are  
14 challenges.

15 Q Just a follow-up. When you said  
16 there are "pockets," you just referred to  
17 pockets of the company that don't follow the  
18 same metrics. I'm not sure I totally  
19 understand.

20 A I was actually talking about risk.  
21 So I was probably confusing apples and  
22 oranges.

23 We've moved to a better system of  
24 risk management. Previously, it was done at  
25 bureau level. Different businesses viewed  
26 risk and measured risk differently. In order  
27 to effectively measure risk, you have to have  
28 an agreement enterprise wide on what those

1 risks are.

2           So the same thing is true of  
3 safety. I think you have to have a  
4 company-wide commitment and understanding of  
5 safety. And to do that, you have to have a  
6 change leader at the top. Now, there are  
7 different safety metrics in gas and electric.  
8 I'm not getting that specific. But I think  
9 in other to everybody change, you have to  
10 have a sustained commitment at a very senior  
11 level with an experienced person. And I  
12 think our incoming Chief Safety Officer has  
13 that, to really drive a dynamic in the  
14 company that just hasn't been there.

15           Q I wanted to ask you a follow-up  
16 question to -- about your view that you need  
17 transformational elements on the Board. And  
18 Mr. Abrams asked you about that as well.

19           Just so I understand what you are  
20 suggesting, is it that transformational  
21 experience should be, or restructuring  
22 experience should be one of the factors that  
23 are considered for all board members or some  
24 board members, or there should be one or two  
25 people with that expertise?

26           A Sure. And let me distinguish  
27 between what I see as restructuring experts.  
28 And we have restructuring experts who have

1     made a terrific contribution. They are  
2     familiar with bankruptcy, they are familiar  
3     with different financial aspects of  
4     bankruptcy.

5             But a transformational leader I'm  
6     thinking of someone who has been in an  
7     industry where seismic changes has occurred.  
8     You could even say somebody from Amazon, I'm  
9     not suggesting we are talking to anybody from  
10    Amazon, the earlier stages, but somebody who  
11    has seen a different way of serving  
12    customers, who knows what it takes. Having a  
13    monopoly, Mr. Abrams is right, we tend to  
14    lose sight of the customer. We talk a lot  
15    about customers, but we tend to lose sight  
16    and not touch customers in the way a  
17    competitive business might.

18            I'm talking about somebody who has  
19    been through IT transformation. That is a  
20    really, really complicated thing to  
21    accomplish, but we have to do that. Somebody  
22    who has been through a technology change, an  
23    industry that is being changed by technology.  
24    I think a person who has that, a couple, but  
25    that wouldn't be the only skill. Does that  
26    help?

27            Q     Yes. You answered my first  
28    question.

1           A     Okay.

2           Q     Now I'll follow-up with a second  
3 question, which you've been discussing. But  
4 is it your view that it should be someone who  
5 has been in an industry that has gone through  
6 transformation, because the utility industry  
7 is certainly going through a transformation,  
8 or somewhere who has transformed a company  
9 from one point to another? In other words,  
10 what do you think the biggest need is for  
11 PG&E?

12           A     Well, the utility industry has been  
13 undergoing a transformation for as long as  
14 I've been in it. When I look at other  
15 transformations, it is taking kind of a long  
16 time. So I wouldn't necessarily say someone  
17 who has transformed the energy industry. I'm  
18 thinking maybe of banking, of maybe IT, of  
19 maybe retail, who also brings that customer  
20 experience. Not etched in stone. We are  
21 developing job descriptions, as I said. But  
22 I think it would add value and bring a  
23 different perspective.

24           Q     You said that the Board has  
25 authority to reduce compensation based on a  
26 catastrophic event, and you've exercised that  
27 on another board?

28           A     I have.

1           Q    Do you happen to know if the  
2           compensation of any PG&E executive was  
3           reduced as a result of the 2017 or 2018  
4           wildfires?

5           A    I don't know.  I'm sorry.

6           Q    I have one last question for you.  
7           This relates to the Independent Safety  
8           Oversight Council.  I'm trying to figure out  
9           where it fits in with everything else.  We  
10          have a Chief Risk Officer, a Chief Safety  
11          Officer, Safety and Nuclear Oversight  
12          Committee, a soon-to-be independent Safety  
13          Officer and an Independent Safety Oversight  
14          Council; is that correct?

15          A    That is correct.

16          Q    And are you sure --

17          A    We are going to get it right one  
18          way or the other.

19          Q    Well, I'm trying to figure out  
20          if -- are some of those functions  
21          duplicative?

22          A    No.  I actually don't think they  
23          are.  I think the ISOC, who's reporting to  
24          the corporation CEO, also producing reports  
25          that will be used throughout the  
26          organization, gives just that outside  
27          perspective.  The Chief Risk Operator is  
28          going to be responsible for identifying the

1 rules, identifying the needs, identifying the  
2 technologies and operationalizing them,  
3 making those part of the system.

4 Chief Risk Officer has the  
5 responsibility for enterprise risk, safety  
6 being one of them, but a massive asset  
7 failure being another, a massive IT -- so  
8 there are different kinds. So they identify  
9 the risks at an enterprise level. They  
10 create the risk register. We are using  
11 currently what is commonly accepted at most  
12 companies is a bow tie analysis.

13 If there were safety issues  
14 recognized on that risk register, that would  
15 inform both the Safety Committee as well as  
16 the Chief Safety Officer. And let me give  
17 you one good example of kind of how that  
18 information goes back and forth. On our open  
19 audits list, when we got there, there were  
20 a -- too many actual safety-related, open  
21 operating audits that had gone on too long  
22 and had no owner identified. The audit  
23 committee, which is typically populated by  
24 financial folks, said we are not fully able  
25 to kind of understand these, rationalize  
26 these to strive change.

27 SNO in the audit committee, who  
28 ultimately has responsibility, but SNO in the

1     audit committee worked very carefully  
2     together to make sure, number one, they fully  
3     understood the risks that those open audits  
4     presented, drove closure to those while also  
5     assigning accountability. So there is no  
6     audit now that doesn't have an owner  
7     assigned. Accountability is about  
8     identifying the owner. ]

9             So I think those are actually kind  
10    of integrated and -- but one is -- several  
11    are SNO's oversight. The other have specific  
12    responsibilities

13            Q     And the relationship between the  
14    Independent Safety Council and SNO is what  
15    exactly? They're both external to the  
16    operating part of the company.

17            A     Right. The ISOC is an advisory  
18    board that advises management but also whose  
19    reports will go to SNO to see if there's  
20    anything, for example, that they recommend.  
21    And there's a remarkable similarity, by the  
22    way, between what the ISOC has recommended in  
23    its recent report and what NorthStar has  
24    recommended. Some of these things are  
25    already underway. SNO drives that, though.

26            Q     Okay. Thank you. So has the ISOC  
27    prepared any reports so far?

28            A     They have just completed. I think

1 it's relatively recent, yeah.

2 COMMISSIONER RECHTSCHAFFEN: Okay.

3 Thank you.

4 ALJ COOKE: All right. Thank you.

5 Mr. Weissmann, is there any  
6 redirect?

7 MR. WEISSMANN: If I could have just a  
8 moment, please.

9 ALJ COOKE: Off the record.

10 (Off the record.)

11 ALJ COOKE: Let's be back on the  
12 record.

13 Mr. Weissmann, did you have any  
14 redirect?

15 MR. WEISSMANN: Thank you, your Honor.

16 REDIRECT EXAMINATION

17 BY MR. WEISSMANN:

18 Q You were asked some questions about  
19 the reporting relationship of the Chief  
20 Ethics and Compliance Officer. Do you wish  
21 to clarify your testimony on that topic?

22 A I do. Julie King reports to Bill  
23 Johnson, our CEO. While she does have a  
24 legal function for purposes of investigations  
25 and all of those things, she reports to the  
26 CEO, which is an important distinction. I'm  
27 sorry I missed that.

28 Q You made some comments about the

1 extent of the Commission's role in deciding  
2 how to allocate capital.

3 Can you elaborate on your  
4 understanding of the Commission's role in  
5 that regard with respect to capital to be  
6 spent on the Wildfire Mitigation Plan?

7 A Yes. That's not fungible. So I  
8 did not mean to suggest the Commission has no  
9 role. They very specifically directed  
10 allocation and we would absolutely respect  
11 that.

12 Q Okay. You were asked some  
13 questions about the use of activity-based  
14 metrics and incentive compensation. Are you  
15 aware of whether the long-term incentive plan  
16 as proposed by the company includes  
17 activity-based metrics?

18 A It does, with apologies to  
19 Mr. Abrams. It does, but I think the primary  
20 focus and the direction that the Compensation  
21 Committee is taking is more outcome-based  
22 metric.

23 MR. WEISSMANN: That's all I have, your  
24 Honor.

25 ALJ COOKE: All right. Thank you.

26 Mr. Abrams, do you have any recross  
27 as a result of these redirect questions?

28 MR. ABRAMS: No. I do not, your Honor.

1 ALJ COOKE: All right. Thank you.

2 MR. STRAUSS: Your Honor, if I may, I  
3 believe that one of questions was in response  
4 to my question.

5 ALJ COOKE: My apologies. I thought we  
6 had done that already. Go ahead.

7 RECROSS-EXAMINATION

8 BY MR. STRAUSS:

9 Q With respect to responsibility of  
10 Ms. Kane, are you saying that her reporting  
11 authority differs based on the role that she  
12 is playing in the organization?

13 A No. I am not. I was referring to  
14 the fact that her title Deputy Counsel --  
15 General Counsel suggests she does have legal  
16 responsibilities but she reports for all  
17 purposes to the CEO of the corporation, Bill  
18 Johnson.

19 Q And for the purpose of clarity, she  
20 does not report to General Counsel?

21 A No, she does not. That was my  
22 correction. Sorry.

23 ALJ COOKE: All right. Thank you.

24 Any redirect, Mr. Weissmann?

25 MR. WEISSMANN: No.

26 ALJ COOKE: All right. Thank you.

27 Thank you for your testimony,  
28 Ms. Brownell. You're excused.

1 Let's be off the record.

2 (Off the record.)

3 ALJ COOKE: Let's be on the record.

4 Mr. Abrams has asked to renew his  
5 request for a ruling on a motion.

6 Go ahead. Please renew that  
7 request.

8 MR. ABRAMS: Thank you, your Honor.

9 I would like to renew my request for  
10 public participation hearings, given that the  
11 TCC has not engaged in this proceeding and  
12 the voices of victims have been largely  
13 absent from the proceeding. I think it's  
14 important we hold public participation  
15 hearings and we actively seek the engagement  
16 of victims and the questions they have around  
17 this Plan of Reorganization.

18 ALJ COOKE: And it's my understanding  
19 that you have filed a written motion along  
20 these lines.

21 MR. ABRAMS: Yes, I have, your Honor.

22 ALJ COOKE: Okay. Thank you. And I  
23 will bring it back to the attention of the  
24 Administrative Law Judge and the assigned  
25 Commissioner and await their ruling on that  
26 motion.

27 MR. ABRAMS: Thank you, your Honor.

28 ALJ COOKE: All right. Thank you.

1           At this time, we will begin with  
2 cross -- we will call to the stand Ms. Hogle  
3 on behalf of Pacific Gas and Electric  
4 Company.

5           Ms. Hogle, please stand and raise  
6 your right hand.

7           JESSICA HOGLE, called as a witness  
8 by Pacific Gas and Electric Company,  
9 having been sworn, testified as  
10 follows:

11           THE WITNESS: Yes.

12           ALJ COOKE: Thank you. Please be  
13 seated and state your name and place of  
14 business for the record.

15           THE WITNESS: My name is Jessica Hogle.  
16 My place of business is PG&E Corporation.

17           ALJ COOKE: Okay. Thank you.

18           Mr. Weissmann.

19           MR. WEISSMANN: Actually my colleague  
20 Teresa Reed Dipppo will examine.

21           ALJ COOKE: Let's be off the record.

22           (Off the record.)

23           ALJ COOKE: Let's be back on the  
24 record.

25           DIRECT EXAMINATION

26           BY MS. DIPPO:

27           Q   Ms. Hogle, do you have in front of  
28 you PG&E prepared testimony Volume 1, which  
has been marked as PG&E-1?

1 A Yes.

2 Q Can you turn to Chapter 9 of that  
3 testimony, please?

4 ALJ COOKE: Let's be off the record.

5 (Off the record.)

6 ALJ COOKE: Let's be back on the  
7 record.

8 BY MS. DIPPO:

9 Q Are you sponsoring Chapter 9 of  
10 that testimony, page 1 line 1 through page 16  
11 of line 12?

12 A Yes.

13 Q Was that chapter prepared by you or  
14 under your direction?

15 A Yes.

16 Q Have there been any updates or  
17 corrections to that chapter?

18 A No.

19 Q Is your testimony true and correct,  
20 to the best of your knowledge?

21 A Yes.

22 MS. DIPPO: Ms. Hogle is available for  
23 cross-examination.

24 ALJ COOKE: Mr. Strauss.

25 MR. STRAUSS: Thank you, your Honor.

26 CROSS-EXAMINATION

27 BY MR. STRAUSS:

28 Q Ms. Hogle, my name is Ariel

1     Strauss. I am counsel to Small Business  
2     Utility Advocates on behalf of the interests  
3     of small business and small rural and  
4     commercial customers.

5             I am sorry to bring you here just  
6     for this one question, but my question is:  
7     In light of the wildfires and the release of  
8     greenhouse gases from those fires and the  
9     diminishment of vegetation by those fires,  
10    has PG&E adjusted its greenhouse gas  
11    emissions mitigation programs to account for  
12    that?

13            A     So I think I will say that the best  
14    way to address greenhouse gas emissions from  
15    wildfires is to prevent wildfires from  
16    occurring. There's a chapter, on Chapter 6,  
17    that describes all the actions that were  
18    taken for that.

19            Beyond that as it relates to  
20    meeting climate goals, California has very  
21    stringent climate goals in place. PG&E is  
22    committed to meeting those goals. This plan  
23    puts us on good footing to be able to  
24    continue to do that.

25            So, we will meet the, you know,  
26    80 percent reductions below-1990 levels by  
27    2050 and the related renewable portfolio  
28    standards requirements of those goals.

1           Q    Thank you.  I will note that as a  
2   no, as a response to my question?

3           A    I am not aware of any specific  
4   activities to account for wildfire emission.  
5   I am aware of what we are doing going  
6   forward.

7           MR. STRAUSS:  Thank you.  That is all,  
8   your Honor.

9           ALJ COOKE:  Okay.  Is there any  
10   redirect, Mr. Weissmann?  I am sorry,  
11   Ms. Dipppo?

12          MS. DIPPO:  No.

13          ALJ COOKE:  All right.  That was quick.  
14                Thank you for your testimony today,  
15   Ms. Hogle.  You are excused.

16               Let's be off the record.

17               (Off the record.)

18          ALJ COOKE:  Let's be back on the  
19   record.

20               While we were off the record, we had  
21   a brief discussion.  We will reconvene on  
22   Monday at 9:00 a.m.

23               The preliminary set of witnesses,  
24   and we will have further discussion on that,  
25   is that the first witness that will be up is  
26   witness Kane followed by a panel of three  
27   people that are sponsoring Chapter 6 of  
28   volume -- of Exhibit PG&E-1, Powell, Pender

1 and Maratukulam and then Ms. Yap, who has a  
2 date-certain for CLECA, will be completed on  
3 Monday.

4 We will add some people to it just  
5 to know the order for the -- starting on the  
6 order for the next -- rest of the week. We  
7 also have a few statements of counsel that  
8 are follow-ups that I had requested over the  
9 course of the last day or so.

10 Mr. Weissmann.

11 MR. WEISSMANN: Thank you, your Honor.

12 First a question was raised about  
13 the various capital structure adjustments  
14 that PG&E is proposing and those appear in  
15 PG&E-7, on pages 2-22 and 2-22-A. So this is  
16 just to explain -- this is the amendment to  
17 Mr. Wells' testimony that addresses the three  
18 adjustments to the capital structure that are  
19 being requested.

20 Second, a request -- a question was  
21 raised as to whether the bridge loan  
22 commitment for PG&E Corporation is in the  
23 record. We had a discussion about the  
24 utility bridge loan. The answer is no. The  
25 PG&E Corporation bridge is not in the record  
26 because we're not seeking approval for it  
27 since it's not a utility obligation. It is,  
28 however, a public document that has been

1 filed with the Bankruptcy Court.

2 Third of all, a question was raised  
3 I believe by Commissioner Rechtschaffen or  
4 maybe it was you, I am sorry, as to the list  
5 of the 2017 and 2018 fires that appears in  
6 the Plan of Reorganization as Exhibit A, and  
7 the Plan of Reorganization has been filed in  
8 the docket.

9 Fourth, Commissioner Rechtschaffen  
10 asked a question about whether there had been  
11 any reduction in incentive compensation as a  
12 result of the 2017 and 2018 fires. And I  
13 would report that in 2018 the Board decided  
14 not to pay anything on the short-term  
15 incentive program.

16 ALJ COOKE: All right. Thank you.

17 Let's be off the record.

18 (Off the record.)

19 ALJ COOKE: Let's be back on the  
20 record. All right.

21 This concludes our business for  
22 today. Thank you, everybody. It's been a  
23 very long day and I appreciate people being  
24 as concise as they could be in their  
25 questions and answers.

26 With that, today's evidentiary  
27 hearing is adjourned. And we will reconvene  
28 on Monday at 9:00 a.m.

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Off the record.

(Whereupon, at the hour of 4:44  
p.m., this matter having been continued  
to 9:00 a.m., March 2, 2019, at  
San Francisco, California, the  
Commission then adjourned.) ]

\* \* \* \* \*

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE  
STATE OF CALIFORNIA

CERTIFICATION OF TRANSCRIPT OF PROCEEDING

I, ANA M. GONZALEZ, CERTIFIED SHORTHAND REPORTER  
NO. 11320, IN AND FOR THE STATE OF CALIFORNIA, DO  
HEREBY CERTIFY THAT THE PAGES OF THIS TRANSCRIPT  
PREPARED BY ME COMPRISE A FULL, TRUE, AND CORRECT  
TRANSCRIPT OF THE TESTIMONY AND PROCEEDINGS HELD IN  
THIS MATTER ON FEBRUARY 28, 2020.

I FURTHER CERTIFY THAT I HAVE NO INTEREST IN THE  
EVENTS OF THE MATTER OR THE OUTCOME OF THE PROCEEDING.

EXECUTED THIS MARCH 06, 2020.

  
ANA M. GONZALEZ  
CSR NO. 11320

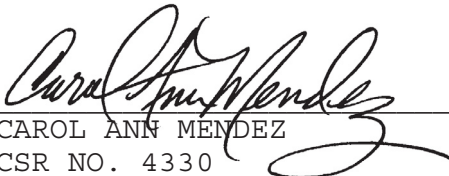
BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE  
STATE OF CALIFORNIA

CERTIFICATION OF TRANSCRIPT OF PROCEEDING

I, CAROL ANN MENDEZ, CERTIFIED SHORTHAND REPORTER  
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EVENTS OF THE MATTER OR THE OUTCOME OF THE PROCEEDING.

EXECUTED THIS MARCH 06, 2020.

  
CAROL ANN MENDEZ  
CSR NO. 4330


BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE  
STATE OF CALIFORNIA

CERTIFICATION OF TRANSCRIPT OF PROCEEDING

I, REBEKAH L. DE ROSA, CERTIFIED SHORTHAND  
REPORTER NO. 8708, IN AND FOR THE STATE OF CALIFORNIA,  
DO HEREBY CERTIFY THAT THE PAGES OF THIS TRANSCRIPT  
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THIS MATTER ON FEBRUARY 28, 2020.

I FURTHER CERTIFY THAT I HAVE NO INTEREST IN THE  
EVENTS OF THE MATTER OR THE OUTCOME OF THE PROCEEDING.

EXECUTED THIS MARCH 06, 2020.

  
REBEKAH L. DE ROSA  
CSR NO. 8708

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